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Accounting Bulletin No. 11

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INTERPRETATIONS  
OF  
ACCOUNTING CLASSIFICATIONS  
EMBODIED IN THE  
UNIFORM SYSTEMS OF ACCOUNTS  
FOR  
TELEPHONE COMPANIES  
(CLASSES A, B, AND C)  
PRESCRIBED BY THE  
INTERSTATE COMMERCE COMMISSION  
IN ACCORDANCE WITH SECTION 20 OF THE  
ACT TO REGULATE COMMERCE

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*Effective on July 1, 1916*

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WASHINGTON  
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1916

THE INTERSTATE COMMERCE COMMISSION.

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ORDER.

At a General Session of the INTERSTATE COMMERCE COMMISSION, held at its office in Washington, D. C., on the 26th day of June, A. D. 1916.

The subject of a Uniform System of Accounts to be prescribed for and kept by telephone companies being under consideration, the following order was entered:

*It is ordered*, That the interpretations of the accounting classifications for telephone companies, prepared under the direction of this Commission and embodied in printed form to be hereafter known as Accounting Bulletin No. 11, and now before this Commission, be, and the same are hereby, approved; that a copy of said bulletin duly authenticated by the Secretary of the Commission be filed in its archives, and a second copy thereof, in like manner authenticated, in the office of the Division of Carriers' Accounts; and that each of said copies so authenticated and filed shall be deemed an original record thereof.

*It is further ordered*, That the accounting methods directed in the interpretations contained in the said Accounting Bulletin No. 11 be, and they are hereby, prescribed for the use of telephone companies having annual operating revenues exceeding \$10,000, and subject to the provisions of the Act to Regulate Commerce, as amended, in the keeping and recording of their accounts.

*It is further ordered*, That July 1, 1916, be, and it is hereby, fixed as the date on which the said Accounting Bulletin No. 11 shall become effective, the same to remain in effect until otherwise ordered by the Commission.

By the Commission.

[SEAL.]

GEORGE B. MCGINTY,  
*Secretary*.

(3)

## INTRODUCTORY LETTER.

INTERSTATE COMMERCE COMMISSION,  
DIVISION OF CARRIERS' ACCOUNTS,  
*Washington, June 26, 1916.*

### TO TELEPHONE COMPANIES (CLASSES A, B, AND C):

Systems of accounts for telephone companies subject to the jurisdiction of the Interstate Commerce Commission have been issued under the authority contained in section 20 of the Act to regulate commerce. The Uniform System of Accounts for Class A and Class B Telephone Companies became effective January 1, 1913, and a supplement thereto became effective on January 1, 1915. The Uniform System of Accounts for Class C Telephone Companies became effective on January 1, 1915. This accounting bulletin contains answers to accounting questions which have been raised since the issuance of the systems of accounts and is published in order that uniformity may be had in the application of the rules laid down in the systems of accounts. It is supplementary to, and should be used in conjunction with, the systems of accounts prescribed for Class A, Class B, and Class C companies.

In the preparation of this bulletin the Commission has had the cooperation of a joint accounting committee representing practically all of the large telephone companies and a large number of the small companies. This bulletin was submitted in tentative form to the commissions of the several States having supervision of telephone companies and criticisms and suggestions were invited. Those received have been given careful consideration in the completion of the bulletin as now issued.

FRED W. SWENEY,  
*Chief Examiner of Accounts.*



INTERSTATE COMMERCE COMMISSION ACCOUNTING BULLETIN NO. 11.

INTERPRETATIONS OF ACCOUNTING CLASSIFICATIONS EMBODIED  
IN THE UNIFORM SYSTEMS OF ACCOUNTS FOR TELEPHONE COM-  
PANIES.

**NOTE.**—In the answers to cases references are usually made to the Class A and Class C accounts. Where the accounts shown are for Class A companies and the same accounts are not prescribed for Class B companies in the Uniform System of Accounts, Class B companies should interpret the answers as applying to their particular account of which the Class A account is a subdivision. Where no reference is given to specific accounts the case applies to all three classes of companies unless it specifically indicates otherwise.

CASE 1.

**Query.** Is it required that the titles of the accounts carried on the company's books correspond with the titles of accounts in the Uniform Systems of Accounts?

**Answer.** The Uniform Systems of Accounts prescribed by the Commission contain the titles and texts of the various accounts and require that companies keep their accounts in conformity therewith. Balance-sheet accounts which are clearly summaries of other accounts are not required to be set up on the books of the company (see sec. 3, p. 13, of the Uniform System of Accounts for Class A and B companies). All accounts kept on the company's books shall conform in titles to those prescribed by the Commission except as follows:

(1) Subaccounts as provided in section 1, page 9, of the Uniform Systems of Accounts and such subdivisions of prescribed balance-sheet accounts as are permitted (see sec. 3, p. 13, of the Uniform System of Accounts for Class A and B companies). All such subaccounts or subdivisions shall give reference by title, number, or both, to the accounts of which they are subdivisions. When such subaccounts or subdivisions are maintained, it is not required that the main account of which they are subdivisions shall be kept on the company's general books.

(2) Experimental or temporary accounts for which special provision is made in the Commission's orders on page 6 of the Uniform Systems of Accounts.

(3) Clearing accounts (other than those provided for Class A and B companies) necessary in making the proper distribution of items to appropriate primary accounts.

CASE 2.

**Query.** To what extent should detailed information be shown in the general books of telephone companies?

**Answer.** The records shall be kept with sufficient particularity to show fully the facts pertaining to all entries made in the accounts. Where the full information is not recorded in the general books, the entries therein shall be supported by other records in which the full details shall be shown. Such general book entries shall contain sufficient reference to the detail records to per-



mit ready identification of the latter, and the detail records shall be kept in such manner as to be readily accessible when required for examination by representatives of the Interstate Commerce Commission.

## CASE 3.

*Query.* What is the significance of the term "balance sheet," as used in section 5, page 13, of the Uniform System of Accounts for Class A and B companies?

*Answer.* The balance sheet referred to in section 5 is the balance sheet contained in the reports required by the Interstate Commerce Commission.

## CASE 4.

*Query.* May account No. 102, "Reserve for accrued depreciation—Cr." (Class C, account No. 185), be subdivided between the amount applicable to fixed capital (or plant and equipment) installed prior to the effective date of the system of accounts and that installed since that date?

*Answer.* Yes; but the subdivision is not required. Section 1, page 9, of the Uniform Systems of Accounts for Class A, B, and C companies permit the subdivision of any account, provided the integrity of the main account is not impaired.

## CASE 5.

*Query.* If subaccounts for "reacquired securities," referred to in section 5, page 13, of the Uniform System of Accounts for Class A and B companies, are carried on a company's ledger, are such subaccounts debit or credit accounts when appearing (1) under an asset account and (2) under a liability account?

*Answer.* Such subaccounts are debit accounts, when under an asset account; and credit accounts, when under a liability account. The subaccounts are of the same nature as the principal accounts of which they are a part.

## CASE 6.

*Query.* How should securities, sometimes termed "treasury securities," signed and sealed and placed with the proper officer for sale and delivery, be accounted for in the balance-sheet accounts?

*Answer.* The same treatment shall be accorded "treasury securities" as is provided for "reacquired securities" in section 5, page 13, of the Uniform System of Accounts for Class A and B companies. (See Case 5.)

Class C companies may carry such securities at par in account No. 110, "Securities," and in account No. 160, "Capital stock," or No. 165, "Funded debt," as may be appropriate, but in stating the balance sheet in reports to the Interstate Commerce Commission the par value of such securities shall be shown as deductions from the totals of these accounts.

## CASE 7.

*Query.* What should be the accounting for a note carried in account No. 105, "Investment securities" (Class C, account No. 110), upon which payment of principal has been defaulted?

*Answer.* Transfer to account No. 117, "Bills receivable" (Class C, account No. 120), or to account No. 110, "Advances to system corporations for construction, equipment, and betterments" (Class C, account No. 120), as may be appropriate.

ate. If the asset is of doubtful value, the transfer may be to account No. 136, "Other suspense" (Class C, account No. 150), pending the final disposition of the matter.

## CASE 8.

*Query.* What should be the accounting for accruals of depreciation on investments in physical property carried in Class A and B account No. 111, "Miscellaneous investments" (Class C, account No. 105)?

*Answer.* Charge the accruals to account No. 303, "Other operating expenses" (Class C, account No. 340), if on operated property, or to account No. 320, "Rent expense" (Class C, account No. 340), if on nonoperated property, and credit account No. 170A, "Other deferred credit items" (Class C, account No. 190).

## CASE 9.

*Query.* What should be the accounting for commissions paid to brokers for the purchase of the securities of other companies?

*Answer.* The amount of such commissions shall be considered as a part of the cost of the securities purchased.

## CASE 10.

*Query.* To what account should be charged the cost of buildings and land not used in telephone operations and held for sale?

*Answer.* Account No. 111, "Miscellaneous investments" (Class C, account No. 105).

## CASE 11.

*Query.* To what account should be charged the cost of buildings built to rent on land which is held for future central office or other telephone purposes?

*Answer.* The cost of such buildings shall be charged to account No. 111, "Miscellaneous investments" (Class C, account No. 105). The cost of land held for future telephone purposes shall be charged to account No. 211, "Land" (Class C, account No. 210).

## CASE 12.

*Query.* What should be the accounting for rents received from and expenses in connection with property carried in account No. 111, "Miscellaneous investments" (Class C, account No. 105), and leased to others?

*Answer.* Credit rents received to account No. 311, "Miscellaneous rent revenues" (Class C, account No. 320), and charge expenses to account No. 320, "Rent expense" (Class C, account No. 320).

## CASE 13.

*Query.* What should be the accounting for profits realized or losses sustained when securities of other companies carried in account No. 105, "Investment securities," or account No. 116, "Marketable securities" (Class C, account No. 110), are sold for more or less than the value at which they are carried on the accounting company's books?

*Answer.* Credit profits from sale of securities to account No. 401, "Miscellaneous additions to surplus" (Class C, account No. 195), and charge losses to account No. 417, "Other deductions from surplus" (Class C, account No. 195), except where provision for loss has been made in a reserve account.

## CASE 14.

*Query.* What is the general distinction between Class A company accounts No. 113, "Cash," and No. 114, "Special deposits"?

*Answer.* Account No. 113 should include all items of cash or deposits which are subject to the control of the company and available for current general requirements.

Account No. 114 should include all items of cash or special deposits which, although remaining "working assets" of the company, are not available for current requirements. (See Case 22.)

"Time deposits" (usually covered by certificates of deposit), although technically not available for current requirements, as a practical matter generally are available and, if such is the case, may be included in account No. 113.

## CASE 15.

*Query.* Is it required that Class A company account No. 114, "Special deposits," be set up to cover declared dividends?

*Answer.* No. Dividends may be paid from general cash, in which event it is not required that account No. 114 be used. This account should be used only when special deposits for this purpose are actually made.

## CASE 16.

*Query.* Should the term "deposits to pay declared dividends and matured interest" in the definition of Class A company account No. 114, "Special deposits," be held to cover an undivided sum paid to mortgage trustees in satisfaction of the interest on a bond issue?

*Answer.* No. If the payment to the trustees satisfies the liability the amount should be charged to the appropriate interest liability accounts, and account No. 114 is not involved.

## CASE 17.

*Query.* Is it required that all materials and supplies be carried through the materials and supplies account?

*Answer.* No. Materials and supplies purchased for a specific project or for immediate use may be charged directly to the accounts affected and need not be carried through account No. 122, "Materials and supplies" (Class C, account No. 135).

## CASE 18.

*Query.* What should be the accounting for discounts realized through prompt payment and interest payable through delayed payment of bills for materials and supplies?

*Answer.* Materials and supplies shall be charged to the accounts at their actual cost in cash, or its equivalent, to the accounting company.

Discounts realized for the prompt payment of bills shall, as far as possible, be applied as credits to the accounts charged with the particular bills or invoices involved.

Discounts realized which can not be credited to the accounts charged with the particular bills or invoices involved shall be credited to account No. 704, "Supply expense" (Class C, account No. 135).

Interest on delayed payments shall be charged to account No. 336, "Other interest deductions" (Class C, account No. 360).

## CASE 19.

*Query.* Do the Uniform Systems of Accounts require that assets be specifically set aside to cover sinking fund appropriations?

*Answer.* No. The setting aside of assets usually depends upon the provisions of the mortgage or upon the policy of the company. If assets are set aside they shall be carried in account No. 125, "Sinking fund assets" (Class C, account No. 140).

## CASE 20.

*Query.* What should be the accounting for payments received and expenses incurred in the performance of custom work for others?

*Answer.* The expenses, including percentages added for supervision, use of tools, profit, etc., may be charged and the payments received may be credited to a suspense account, carried under account No. 120, "Miscellaneous accounts receivable" (Class C, account No. 130); any net profit from such transactions shall be credited to account No. 316, "Miscellaneous nonoperating revenues" (Class C, account No. 320). If the amounts involved are small, the expense may be charged to the appropriate operating expense accounts and the payments received shall, in such cases, be credited to the accounts previously charged.

## CASE 21.

*Query.* What should be the accounting for amounts paid or received for options to bind a proposed purchase, sale, or lease?

*Answer.* Amounts paid for options shall, pending their final disposition, be charged to account No. 136, "Other suspense" (Class C, account No. 150). If the general project for which the option was obtained is finally carried out, the cost of the option shall be considered as part of the price or rental paid and charged to the appropriate asset, income, or other account. If the general project is finally abandoned, the cost shall be charged to account No. 417, "Other deductions from surplus" (Class C, account No. 195).

Amounts received for options given by the company shall, pending their final disposition, be credited to account No. 170A, "Other deferred credit items" (Class C, account No. 190). If the transaction is made as contemplated, the amount received shall be considered as a part of the price or rental received and credited to the appropriate accounts. If the option is forfeited, the amount originally received by the company shall be credited to account No. 401, "Miscellaneous additions to surplus" (Class C, account No. 195).

## CASE 22.

*Query.* To what account should be charged amounts deposited with municipalities to guarantee the proper restoration of street paving and other deposits with public authorities, the making of which does not rest solely within the company's discretion?

*Answer.* If it is probable that the funds can be withdrawn within one year from the date of deposit, charge account No. 114, "Special deposits" (Class C, account No. 115). If it is probable that funds can not be withdrawn within one year charge account No. 136, "Other suspense" (Class C, account No. 150), since in such cases the deposits could not be considered working assets of the company. (See Case 14.)

## CASE 23.

*Query.* Should notes, given when money is borrowed under an arrangement requiring a series of partial payments which commence within a year but extend over a period longer than one year, be treated as funded debt or notes payable?

*Answer.* Such notes shall be treated as funded debt and credited to account No. 153, "Funded debt" (Class C, account No. 165).

## CASE 24.

*Query.* A company makes deductions monthly from the salaries of its employees and credits the amounts deducted to a hospital fund account. Against this account are charged the expenses of employees at private hospitals. In what account on the balance-sheet statement shall the liability for the unpended portion of such funds be shown?

*Answer.* Account No. 170, "Liability on account of provident funds" (Class C, account No. 190).

## CASE 25.

*Query.* Section 9, page 32, of the Uniform System of Accounts for Class A and B companies provides that all property having an expected life of more than one year (except small tools) shall be charged to fixed capital. There are other items of small value, which, while having an expectation of life of more than one year, are difficult to keep record of and are likely to be lost. May such items be charged direct to operating expenses?

*Answer.* Individual items of small value (e. g., amounts less than \$5) classable as general equipment under accounts Nos. 260 to 265 (Class C, account 260), even though having an expectancy of life of more than one year, may be charged direct to the operating expense accounts or through the clearing accounts.

## CASE 26.

*Query.* How should the "term of life" of items included in account No. 204, "Other intangible capital," be computed, especially in connection with those items referred to in section 13 of the Uniform System of Accounts for Class A and Class B companies?

*Answer.* The term of life of such intangible items should be determined by the purchasing company. In general, it should represent that period during which the intangible value may be expected to exist in the property apart from the life of the physical units to which it is related.

## CASE 27.

*Query.* When a going or completed plant has been purchased, how should the appraisal be made of duplicate or otherwise useless items which must be retired by the purchasing company?

*Answer.* If it is reasonably certain at the time when the appraisal is completed that some items of property must be disposed of within a year after the date of purchase, such items may be appraised at their salvage value; otherwise at "structural value" (see sec. 13, p. 33, of the Uniform System of Accounts, Class A and B companies). Particular care must be taken to follow these retirements so that upon completion the prescribed accounting will have been effected.

## CASE 28.

*Query.* Does the term "structural value" as used in section 13, page 33, of the Uniform System of Accounts for Class A and B companies, mean structural value to the buyer or to the seller?

*Answer.* The structural value to the buyer is meant.

## CASE 29.

*Query.* What is the scope of the word "appraisal" as used in section 13, page 33, of the Uniform System of Accounts for Class A and B companies?

*Answer.* The requirement that an appraisal be made for all property purchased does not mean that the properties should necessarily be physically inventoried. When other and more economical methods exist for obtaining, with reasonable accuracy, the information required in the appraisal, it is permissible to use such other methods. If a physical inventory is not taken, however, records shall be kept showing upon what basis the appraisal was made and the facts, expert opinions, and estimates upon which the figures were determined.

## CASE 30.

*Query.* What items should be classified as "going or completed plant" under section 13, page 33, "Plant and equipment and other property purchased" of the Uniform System of Accounts for Class A and B companies?

*Answer.* The term "going or completed plant" is intended to cover only the entire plant of a telephone company or an important unit thereof; such as—

- (1) A telephone company as a whole,
- (2) An entire central office,
- (3) A system of lines and stations within a given area, or
- (4) A complete section of toll plant.

The purchase by one company from another of several poles and appurtenances, a switchboard, or other minor portions of plant shall be treated in the same manner as the purchase of materials and supplies; i. e., the purchasing company shall charge the fixed capital accounts at cost, as provided in section 10, page 33, of the Uniform System of Accounts for Class A and B companies.

## CASE 31.

*Query.* How should the following sentence, appearing in section 14, page 34, of the Uniform System of Accounts for Class A and B companies, be interpreted: "The entry of the credit to the fixed capital account should cite, by name and page of book or other record, the original entry of cost of the thing withdrawn"?

*Answer.* These instructions should be applied literally when large units of property, such as buildings, automobiles, large units of repair-shop machinery, and, in general, all other items which the company recognizes and records separately on its books, are involved. When small items and certain relatively large items are handled in such a volume as to require the use of averages, which are based upon accurate records, it is permissible to use average unit costs, and in such cases it will not be necessary to cite the original entry of cost of the thing withdrawn.

## CASE 32.

*Query.* When private branch exchanges and booths and special fittings are retired from service and the fixed capital accounts credited, to what account should the original installation expense be charged?

*Answer.* Retirements of private branch exchanges and booths and special fittings shall be accounted for as provided in section 14, page 34 (Class C, sec. 13, p. 12) of the Uniform System of Accounts.

The treatment for the installation expense of stations as provided in account No. 607 (Class C, No. 620) is intended only for the retirements of stations and is not applicable to this class of property.

## CASE 33.

*Query.* When contractors perform construction work for the telephone company what should be the accounting for amounts received from or paid to them under the following conditions:

(1) Amounts received in accordance with the terms of contract for delay in completion of work.

(2) Amounts received because of defective workmanship or material.

(3) Amounts received because of abrogation of contract in whole or in part.

(4) Amounts paid for completion of work before time specified.

*Answer.* (1) Amounts received, under the terms of the contract, for delayed completion of work shall be apportioned and credited to the accounts to which the cost of the work was charged. If, however, in connection with delayed construction additional amounts are collected in reimbursement of expenses incurred by or revenues lost to the telephone company, such amounts shall be credited to the appropriate revenue or expense accounts. (See Case 90.)

(2) If the telephone company corrects the defects, the cost of correcting shall be charged to the plant accounts and the amounts received from the contractor shall be credited to the accounts which were charged with the contract price. If the telephone company accepts the work without correcting the defective condition and charges the plant accounts with the full contract price, any amount recovered from the contractor shall be credited to the accounts which were charged with the contract price.

(3) Amounts received because of abrogation of contract shall be credited to account No. 401, "Miscellaneous additions to surplus" (Class C, account No. 195).

(4) Amounts paid for completion of work before time specified shall be apportioned and charged to the accounts to which the cost of the work was charged.

## CASE 34.

*Query.* What shall be the accounting for improvements on leased buildings?

*Answer.* In the case of leases where substantially the full benefit of improvements will be obtained, the cost of additions to, and betterments of, leased property shall be charged to a subaccount under the appropriate fixed capital (plant and equipment) accounts. Depreciation and retirements in connection therewith shall be treated in the same manner as on company-owned property.

In the case of leases where ordinarily the full benefit of improvements will not be obtained and where any permanent improvements usually revert to the lessor at the expiration of the lease, the cost of improvements, including the moving of partitions and providing awnings, screens, shades, window ventilators, etc., shall be charged to account No. 133, "Other prepayments," (Class C,

account No. 145) and cleared over a suitable period to account No. 610, "Other maintenance expenses" (Class C, account No. 640). Ordinarily the clearance period should be the period of the lease, but a shorter period should be used if the conditions are such that the improvements will be retired before the expiration of the lease.

The ordinary current repairs, also minor rearrangements and changes in connection with the leased buildings, shall be charged to the appropriate maintenance or other operating expense accounts.

## CASE 35.

*Query.* What should be the accounting for expenditures on property of others incurred in maintenance or construction work of the company?

*Answer.* Such expenditures, if borne by the company, shall be treated as a part of the cost of the work being conducted by the company, e. g., if in the construction of a toll pole line the company is obliged to relocate property of another company, the cost shall be charged to account No. 251, "Toll pole lines" (Class C, account No. 250).

## CASE 36.

*Query.* What should be the accounting for donations received in aid of construction?

*Answer.* The cost of construction shall be charged to the fixed capital (or plant and equipment) accounts in accordance with the rules contained in the Uniform Systems of Accounts.

Donations received from States, counties, municipalities, and other governmental bodies shall be credited to a subaccount entitled "Grants in aid of construction," and carried under No. 171, "Surplus invested since December 31, 1912, in fixed capital" (Class C, account No. 195). While such donations should be separately carried under an appropriate liability account and not classified as surplus, they may, until such time as the systems of accounts are reissued, be carried under account No. 171 (Class C, No. 195), as the most available under the current systems of accounts.

Donations received from individuals, firms, and corporations shall be credited to account No. 401, "Miscellaneous additions to surplus" (Class C, account No. 195). If such donations are not subject to distribution as dividends, Class A and B companies shall also charge the amounts thereof to account No. 415, "Appropriations of surplus for construction, equipment, and betterments," and credit account No. 171, "Surplus invested since December 31, 1912, in fixed capital."

## CASE 37.

*Query.* What should be the accounting when a company sells a part of its property for a lump sum?

*Answer.* The primary fixed capital (plant and equipment) accounts involved shall be credited with amounts carried therein with respect to the property sold. The difference between the total amount thus credited and the amount received shall be treated as provided in section 14, page 34, of the Uniform System of Accounts for Class A and B companies; section 13, page 12, for Class C companies.

## CASE 38.

*Query.* What should be the accounting when a telephone company grants to others for a lump sum a so-called permanent right (not right of way) to use a part of its property, or acquires similar rights?



*Answer.* The amounts received from the granting of such rights shall be credited, in total, by the grantor to a subaccount "Property rights granted—Cr." under account No. 274, "Miscellaneous construction expenditures" (Class C, account No. 270).

The amounts paid for such rights shall be charged, in total, by the grantee to a subaccount "Property rights acquired" under account No. 274, "Miscellaneous construction expenditures" (Class C, account No. 270).

If the grantor subsequently reacquires any of the rights originally granted the subaccount "Property rights granted—Cr." shall be debited with the amount at which such rights are carried in that account. Similarly, if the grantee relinquishes any rights on the property of others, it shall credit the subaccount "Property rights acquired" with the amount at which such rights are carried in that account.

While these items differ from those usually carried in account No. 274, "Miscellaneous construction expenditures" (Class C, account No. 270) they may until such time as the systems of accounts are revised, be carried in that account under the subaccounts specified as the most available treatment under the current systems of accounts.

## CASE 39.

*Query.* What should be the accounting for amounts paid for temporary rights, such as pole or other attachments (not right of way), on the property of others, and for amounts received for similar rights given?

*Answer.* If compensation therefor is paid or received currently, the company obtaining such rights shall charge amounts paid to the appropriate rent deduction accounts, while the company giving such rights shall credit the appropriate rent account under Operating Revenues or Income.

If a lump sum is paid or received in advance for such rights, that amount should be given the usual treatment accorded prepaid items and cleared to the appropriate rent deduction or rent revenue accounts during the period covered by the right.

## CASE 40.

*Query.* Should the fixed capital accounts be charged with any portion of the pay and expenses of employees who are primarily engaged in maintenance and operation but who devote part of their time to construction work?

*Answer.* An equitable proportion of the salaries and expenses of such employees may be charged to the fixed capital (or plant and equipment) accounts, but no charges shall be made to these accounts for merely incidental services of officers and employees whose time is regularly devoted to the operation and maintenance of the plant.

## CASE 41.

*Query.* To what account should be charged fees and expenses of attorneys other than regular employees of the company engaged in the preparation of legal papers required in the merger of one company with another?

*Answer.* Account No. 201, "Organization" (Class C, account No. 200).

## CASE 42.

*Query.* To what account should be charged the cost of plant or supplies given or leased to a municipality under the requirements of a franchise, minute, ordinance, resolution, contract, or other agreement?

*Answer.* If given as an initial consideration for a franchise extending for more than one year, charge account No. 202, "Franchises" (Class C, account No. 200); if given annually or at shorter periods charge account No. 673, "Telephone franchise requirements" (Class C, account No. 680).

If plant owned by the company is rented to a municipality without charge, charge first cost to the appropriate fixed capital (plant and equipment) accounts. Any maintenance costs incurred on such plant shall be charged to the appropriate maintenance accounts. (See Case 103.)

## CASE 43.

*Query.* To what account should be charged the cost to the company of sidewalks on public streets abutting the company's property?

*Answer.* Account No. 211, "Land" (Class C, account No. 210).

## CASE 44.

*Query.* What should be the accounting for pay station and other signs?

*Answer.* Signs shall be classified and accounted for as follows:

(1) General company signs, usually showing name of company and of a somewhat permanent character—

(a) Cut in stone or painted on buildings or general equipment: If in connection with company-owned buildings or equipment, charge appropriate fixed capital (or plant and equipment) account for buildings, general equipment, etc.

(b) Metal or wooden signs: Class as general equipment and charge appropriate fixed capital (or plant and equipment) account.

(c) Repairs and replacements shall be treated in the same manner as repairs and replacements of other telephone plant.

(2) Departmental signs, usually placed on doors, windows, or walls for the guidance of the public, but not for the purpose of attracting traffic, and generally of relatively short life: Charge appropriate expense account of particular department involved, except for the first cost of signs in a new company-owned building, which should be treated as part of the cost of the building.

(3) Public signs, installed to attract traffic and for guidance to public pay stations—

(a) If of relatively large value and long life, e. g., large electric signs, class as general equipment and charge appropriate fixed capital (or plant and equipment) account. Expenses in connection with such signs shall be charged to account No. 642, "Advertising" (Class C, No. 680).

(b) If of small value or short life, e. g., metal, glass, paper, cardboard, or decalcomania devices, charge the cost to account No. 642 (Class C, No. 680).

## CASE 45.

*Query.* To what account should be charged the cost of a retaining wall built on a company-owned lot?

*Answer.* Account No. 212, "Buildings" (Class C, account No. 210).

## CASE 46.

*Query.* Should account No. 212, "Buildings" (Class C, account No. 210), include all items classified in the definition of this account without regard to the amount involved?

*Answer.* No. When single additions to or replacements in buildings are of small amount (for example, less than \$5), the expenditure may be charged direct to the operating expense accounts or through the clearing accounts. (See Case 25.)

## CASE 47.

*Query.* How should company-owned telephone equipment, installed and maintained by a railroad company or by other lessee, be carried in the asset accounts?

*Answer.* Charge the cost to the telephone company of such items to account No. 220, "Central office equipment," or account No. 230, "Station equipment," or the subaccounts thereunder (Class C, account No. 220 or No. 230), as may be appropriate.

## CASE 48.

*Query.* To what account should be charged the cost of protectors installed in connection with central-office telephone equipment?

*Answer.* Such protectors when installed within a central-office building, whether mounted on the main distributing frame, or on racks, or in a box attached to the interior building wall, shall be charged to account No. 221, "Central-office telephone equipment" (Class C, account No. 220). If mounted outside the building, the charge shall be made to the appropriate cable or wire account.

## CASE 49.

*Query.* To what account should be charged the cost of creating phantom circuits?

*Answer.* Account No. 221, "Central office telephone equipment" (Class C, account No. 220), and the appropriate cable or wire accounts (exchange or toll), according to the class of plant worked upon.

## CASE 50.

*Query.* To what account should be charged the cost of a balcony built to reach the upper part of the main frame?

*Answer.* Account No. 221, "Central office telephone equipment" (Class C, account No. 220).

## CASE 51.

*Query.* To what account should be charged the cost of loading coils installed on poles, or in test stations and central offices?

*Answer.* Loading coils designed primarily for use on poles should be charged to the same account as is charged the circuit of which they are a part, even though such loading coils may occasionally be used in central offices or test stations.

Loading coils designed primarily for use in central offices should be charged to account No. 221, "Central office telephone equipment" (Class C, account No. 220).

## CASE 52.

*Query.* To what account should be charged the initial cost of furniture and fixtures and the cost of repairs and replacements thereof?

*Answer.* (1) The first cost of furniture and fixtures shall be charged to the fixed capital accounts as follows:

Class A and B companies charge to—

No. 222. "Other equipment of central offices."—Furniture and fixtures in the operating and terminal rooms of central offices, in operators' schools and in rest and lunch rooms.

No. 235. "Booths and special fittings."—Furniture and fixtures at public pay stations.

No. 261. "Office furniture and fixtures."—Furniture and fixtures in general offices, division offices, and plant, traffic and commercial offices.

No. 262. "General shop equipment."—Furniture and fixtures in shops.

No. 263. "General store equipment."—Furniture and fixtures in storerooms and storehouses.

No. 264. "General stable and garage equipment."—Furniture and fixtures in stables and garages.

Class C companies charge to—

No. 220. "Central office equipment."—Furniture and fixtures in the operating and terminal rooms of central offices, in operators' schools and in rest and lunch rooms.

No. 260. "General equipment."—Other furniture and fixtures.

(2) The cost of repairs of furniture and fixtures, and of replacements when provision for replacements has not been made in the depreciation reserve shall be charged to the operating expense and clearing accounts, as follows:

Class A and B companies charge to—

No. 604. "Repairs of central office equipment."—The expense on furniture and fixtures carried in account No. 222.

No. 605. "Repairs of station equipment."—The expense on furniture and fixtures carried in account No. 235.

No. 606. "Other general office supplies and expenses."—The expense on furniture and fixtures carried in account No. 261, except where separate offices are maintained for the plant, traffic, or commercial forces, in which case the expenses should be charged to accounts Nos. 706, 621 to 633, inclusive, or 640 to 650, inclusive, respectively.

No. 701. "Shop expense."—The expense on furniture and fixtures in shops.

No. 702. "Stable and garage expense."—The expense on furniture and fixtures in stables and garages.

No. 704. "Supply expense."—The expense on furniture and fixtures in storerooms and storehouses.

Class C companies charge to—

No. 610. "Repairs of equipment."—The expense on furniture and fixtures carried in account No. 220.

No. 680. "Other general expenses."—The expense on furniture and fixtures carried in account No. 260.

(3) The cost of replacements of furniture and fixtures, when provision for the replacements has been made in the Depreciation Reserve, shall be handled through the fixed capital (or plant and equipment) accounts; that is, the cost of the property retired or replaced shall be credited to the appropriate fixed capital (or plant and equipment) accounts and the new property shall be charged thereto.

(4) Inventories or appraisals of the furniture and fixtures in use should, from time to time (preferably annually), be made at cost prices (estimated, if not known) and the fixed capital (plant and equipment) accounts shall be

adjusted to the inventoried or appraised figures by charging or crediting the appropriate expense accounts or the depreciation reserve, if the latter account is affected.

(5) Companies whose investment in furniture and fixtures is not set up in accordance with the foregoing paragraphs may, upon obtaining special authority from the Commission, make the necessary adjustments in their fixed capital (plant and equipment) accounts.

(6) When furniture is used jointly by two or more departments, the principal function for which it is used should determine the fixed capital (plant and equipment) account to which the initial costs should be charged. Repairs and replacements of such furniture should be charged to the particular account under (2) or (3) above, in conformity with the plant account to which the cost of the furniture was charged.

#### CASE 53.

*Query.* What should be the accounting for the cost of awnings, door and window screens, window shades, and analogous items when installed in owned buildings?

*Answer.* These items are classed as furniture and fixtures and the initial cost, the cost of replacements, and the cost of repairs shall be accounted for in the same manner as for furniture and fixtures. (See Case 52.)

However, when a building is occupied by several departments of a telephone company, the cost of awnings, door and window screens, window shades, and analogous items, wherever installed, may at the option of the accounting company be charged to account No. 261, "Office furniture and fixtures" (Class C, account No. 260); in such cases, the maintenance expenses shall be charged to account No. 707, "House service expense" (Class C, account No. 640).

#### CASE 54.

*Query.* What accounts should be charged with the cost of chemical fire extinguishers?

*Answer.* Such equipment should be classed as furniture and fixtures and charged accordingly. (See Case 52.)

#### CASE 55.

*Query.* To what account should be charged the cost of "order table systems" installed for the use of department stores or other subscribers?

*Answer.* The cost of the order table, including the table wiring, equipment, table telephone sets and cost of installation, shall be charged to account No. 234, "Private branch exchanges" (Class C, account No. 230).

#### CASE 56.

*Query.* To what account should be charged the cost of pumping water out of manholes and of cleaning manholes and ducts to permit installation of new cable or for repair work on existing cables?

*Answer.* The expense of necessary pumping or cleaning in connection with the maintenance or operation of the plant shall be charged to account No. 603, "Repairs of underground plant" (Class C, account No. 600).

The cost of any pumping or cleaning in connection with new construction and not necessary in the maintenance or operation of the plant shall be charged to the appropriate fixed capital (plant and equipment) accounts.

#### CASE 57.

*Query.* To what account should be charged the installation cost of bridle-wire cables used to connect open-wire circuits with cable circuits or with central office equipment?

*Answer.* When used to connect open-wire circuits with cable circuits, charge aerial, underground, or submarine cable, toll or exchange, in accordance with the classification of the cable connected.

When used to connect open-wire circuits with central-office equipment, charge aerial or underground cable, toll or exchange, in accordance with the nature of the run to the central office, and the classification of the circuits on the pole line.

#### CASE 58.

*Query.* To what account should be charged the cost of electrolytic surveys made to ascertain the cable protection needed against electrolysis?

*Answer.* The original cost shall be charged to the cable construction account or accounts involved. Later surveys made during the life of such cable shall be charged to the repair accounts.

#### CASE 59.

*Query.* A type of cable is inclosed in a sheath of oakum and steel and is used underground without conduit or concrete. To what account should be charged the cost in place of such cable, including the cost of trench digging?

*Answer.* Account No. 245, "Exchange underground cable," or No. 255, "Toll underground cable" (Class C, accounts Nos. 240 or 250), as may be appropriate.

#### CASE 60.

*Query.* To what account should be charged the cost of a bond or negative return attached to the cable sheath, together with an electrolysis bond opener connected therein, and of plant to carry such apparatus?

*Answer.* Charge the cost of the bond or negative return and the bond opener to the same account as the cable protected. Charge the cost of the ducts, cross arms, poles, right of way, etc., used to carry such apparatus (or any portion thereof paid for by the accounting company) to the regular fixed capital (or plant and equipment) accounts. Attachment rentals paid to other companies for such privileges shall be charged account No. 332, "Rent deductions for conduits, poles and other supports" (Class C, account No. 680).

#### CASE 61.

*Query.* To what account should be charged the expense of special protection at a high potential line crossing?

*Answer.* Whether installed on the company's telephone lines or on the high potential line, charge account No. 241, "Exchange pole lines," or account No. 251, "Toll pole lines" (Class C, account No. 240 or No. 250), as may be appropriate with the original cost of the protective work, and charge any subsequent repairs thereon to account No. 602, "Repairs of aerial plant" (Class C, account No. 600).

#### CASE 62.

*Query.* Is it permissible to adjust the fixed capital accounts for general equipment upon the basis of periodical inventories to correct discrepancies arising during the year?

*Answer.* Yes. Adjustments to correct discrepancies arising during the current year may be made in accounts Nos. 260 to 265, inclusive (Class C, account No. 260). Concurrent charges or credits should be made to the appropriate expense accounts or to the depreciation reserve account, if the latter is affected. (See Case 52).

## CASE 63.

*Query.* To what account should be charged the cost of cabinets, frames, and plates used with addressing machines?

*Answer.* The cabinets shall be charged to account No. 261, "Office furniture and fixtures" (Class C, account No. 260).

The frames, plates (or cards), and similar material, when purchased for revenue accounting purposes, should be charged to account No. 646, "Revenue accounting," otherwise to the appropriate expense account for printing and stationery (Class C, account No. 680).

## CASE 64.

*Query.* Is it permissible to charge to account No. 268, "Interest during construction" (Class C, account No. 270) interest on the company's working funds used in construction work? If so, to what account should such interest be credited?

*Answer.* Account No. 268, "Interest during construction" (Class C, account No. 270) may be charged with interest accruing on the company's working funds used in construction work. If this is done a subaccount under account No. 313, "Interest revenues" (Class C, account No. 320) shall be credited.

## CASE 65.

*Query.* To what account should be charged insurance premiums paid on construction material or on equipment or structures under construction?

*Answer.* Insurance premiums paid on construction material or on equipment or structures under construction shall be charged to specific plant accounts when direct allocation to such plant accounts is possible.

When such allocation is not possible, apportion the cost of premiums over the appropriate plant accounts or charge to account No. 274, "Miscellaneous construction expenditures" (Class C, account No. 270).

## CASE 66.

*Query.* What should be the accounting for premiums on liability insurance covering accidents to persons or damages to the property of others during construction or operations?

*Answer.* Charge the cost of premiums to account No. 668, "Insurance" (Class C, account No. 680). Subsequently, the proportion of the premiums applicable to construction shall be credited to account No. 668 (Class C, 680) and charged to the particular plant accounts where direct allocation is possible. When such allocation is not possible, apportion the cost of premiums over the appropriate plant accounts or charge to account No. 274, "Miscellaneous construction expenditures" (Class C, account No. 270).

Premiums incident to construction work only shall be charged direct to the plant accounts affected or to account No. 274 (Class C, No. 270).

## CASE 67.

*Query.* When funded debt securities which mature serially are sold in one lot at a flat discount rate upon the entire par value, how should the discount be amortized?

*Answer.* The discount and expense shall be charged to account No. 135, "Unamortized debt discount and expense" (Class C, account 150) and amortized through charges to account No. 338, "Amortization of debt discount and expense" (Class C, account 370) in such manner that the ratio between the amortization charges and the principal of the securities outstanding will be uniform for all fiscal periods.

For example: A company issues five \$1,000 bonds, one maturing each year.

The debt discount and expense on the issue are \$450. The distribution of the discount and expense should be as follows:

First year, principal outstanding, \$5,000; amortization charge (rate, 3 per cent), \$150.

Second year, principal outstanding, \$4,000; amortization charge (rate, 3 per cent), \$120.

Third year, principal outstanding, \$3,000; amortization charge (rate, 3 per cent), \$90.

Fourth year, principal outstanding, \$2,000; amortization charge (rate, 3 per cent), \$60.

Fifth year, principal outstanding, \$1,000; amortization charge (rate, 3 per cent), \$30.

## CASE 68.

*Query.* To what account should be charged the cost of printing handbooks containing plant-accounting instructions and the cost of badges furnished plant department employees?

*Answer.* Account No. 706, "Plant supervision expense" (Class C, account No. 640).

## CASE 69.

*Query.* To what account should be charged the expense of an examination of titles of real property and other matters affecting the validity of an issue of bonds?

*Answer.* If such expense is incurred in connection with the issuance of bonds it shall be charged to account No. 135, "Unamortized debt discount and expense" (Class C, account No. 150) and written off by charges to account No. 338, "Amortization of debt discount and expense" (Class C, account No. 370). If the expense has been incurred in a suit to test the validity of the bond issue it shall be charged to account No. 667, "General law expenses" (Class C, account No. 680).

## CASE 70.

*Query.* How should the phrase "include as nearly as may be possible the total amount of the taxes in the period to which they apply," given in section 16, page 47, of the Uniform System of Accounts for Class A and B companies, be applied?

*Answer.* (1) Tax assessments for the Federal income tax, State gross revenue taxes and other large and important taxes pertaining to definite and known fiscal periods of the Federal Government, State or other large taxing districts, should be accrued through the months of the fiscal period to which the tax applies. At the end of a company's fiscal year, the sum of the monthly



accruals should equal the estimated liability of the company as of that date for this class of taxes and, at the end of the period for which any tax is assessed, the accruals should equal the total of the tax assessment.

(2) Tax assessments, such as for school taxes, property taxes, poll taxes, wire mileage taxes, etc. (comprising the major portion of tax items), usually assessed by local authorities and covering fiscal periods more or less uncertain, may be accrued through the months of the fiscal period in which they must be paid. At the end of the company's fiscal year, the monthly accruals made during the year should equal payments. In making accruals, it is unnecessary to consider each tax separately, but rather the whole class should be considered by means of general comparisons with similar periods of preceding years, expected changes, etc.

## CASE 71.

*Query.* What should be the accounting for taxes on materials and supplies carried in stock?

*Answer.* Taxes on materials and supplies carried in stock should, as a general rule, be charged to account No. 305, "Taxes assignable to operations" (Class C, account No. 350). In specific cases, however, where materials and supplies are definitely assigned to be used in construction work, the proportion of taxes applicable to such materials and supplies may be allocated to the appropriate plant accounts or charged to account No. 273, "Taxes during construction" (Class C, account No. 270).

## CASE 72.

*Query.* When the expenses of a State utilities commission are borne by the utilities and apportioned among them, to what account should be charged a company's proportion of such expenses?

*Answer.* Account No. 305, "Taxes assignable to operations" (Class C, No. 350).

## CASE 73.

*Query.* To what accounts should be charged the cost, when borne by the company, of internal revenue stamps required under the act entitled "An act to increase the internal revenue, and for other purposes," approved October 22, 1914?

*Answer.* The cost of internal revenue stamps purchased directly from the Government or its agents should, as a general rule, be charged to account No. 305, "Taxes assignable to operations" (Class C, account No. 350). In important and exceptional cases other appropriate accounts shall be charged; e. g., the expense of stamps in connection with new issues of capital stock shall be charged to account No. 201, "Organization" (Class C, account No. 200); the expense of stamps in connection with new construction work shall be charged to the appropriate fixed capital (plant and equipment) accounts, and the expense of stamps in connection with the issuance of funded debt shall be charged to account No. 135, "Unamortized debt discount and expense" (Class C, account No. 150) and amortized over the life of the debt.

Indirect expenditures for internal revenue stamps shall be charged to the appropriate departmental or other accounts; e. g., when an express company affixes stamps to bills of lading and transfers the charge to the telephone company the cost should be included as a part of the cost of transportation.

## CASE 74.

*Query.* To what account should franchise taxes paid periodically be charged?

*Answer.* Account No. 305, "Taxes assignable to operations" (Class C, account No. 350).

## CASE 75.

*Query.* To what account should be credited rentals from instruments leased to connecting companies?

*Answer.* Account No. 311, "Miscellaneous rent revenues" (Class C, account No. 320). This does not apply to the case where instruments and general supervision are furnished under an agreement for apportioning the revenues of the licensee. In this case, account No. 526, "Licensee revenue—Cr." (Class C, account No. 530) shall be credited.

## CASE 76.

*Query.* When in connection with collateral trust bonds, the trustee holds certain securities against the contingency of default by the debtor company, the income on such collateral being the property of the debtor company, to what account should such income be credited?

*Answer.* Account No. 312, "Dividend revenues" or account No. 313, "Interest revenues" (Class C, account No. 320) as may be appropriate.

## CASE 77.

*Query.* What is the significance of the phrase "if the fund is required to be represented by a reserve" in Note B under Class A and B account No. 314, "Sinking and other reserve fund accretions"?

*Answer.* The phrase refers to the provision of the deed of trust or other contract, or to the policy of the company, and not to any requirement of the Uniform System of Accounts.

## CASE 78.

*Query.* The text of accounts No. 335, "Interest deductions for funded debt" (Class C, account No. 360), and No. 314, "Sinking and other reserve fund accretions," excludes interest on securities issued or assumed by the company. A company has in a sinking fund both securities of its own issue and securities assumed by it, the interest on which under the terms of the mortgage is to accumulate in the fund. What should be the accounting for such interest?

*Answer.* If the deed of trust or policy of the company requires that the interest accruing on such securities accumulate to the sinking fund, the accounting for the interest shall be as follows:

(1) Class A and B companies shall charge amounts equal to such interest to account No. 350, "Appropriations of income to sinking and other reserve funds," and credit similar amounts to account No. 172, "Surplus invested in sinking funds." When the cash is turned over to the trustees, or to the fund, charge account No. 125, "Sinking fund assets," and credit account No. 113, "Cash." If no reserve is to be set up to cover the fund the charge to account No. 350 and credit to account No. 172 should be omitted.

(2) Class C companies shall charge amounts equal to such interest to account No. 370, "Miscellaneous charges to income," and credit a subaccount under account No. 195, entitled "Surplus invested in sinking funds." When the cash is turned over to the trustees or to the fund, charge account No. 140, "Special

funds," and credit account No. 115, "Cash." If no reserve is to be set up to cover the fund, the charge to account No. 370 and credit to account No. 195 should be omitted.

## CASE 79.

*Query.* To what account should be charged the amounts of bills covering the sale of small quantities of supplies or the cost of work done for others, which have proved to be uncollectible?

*Answer.* Account No. 323, "Uncollectible nonoperating revenues" (Class C, account No. 690). Charges to subscribers for moves and changes of telephone equipment which have been credited to account No. 607, "Station removals and changes" (Class C, account No. 620), in anticipation of collection, and which have proved to be uncollectible, shall be charged to account No. 607 (Class C, No. 620).

## CASE 80.

*Query.* What should be the accounting for maintenance and operating expenses in connection with, and rents received from, space leased to others in buildings partly occupied by the telephone company?

*Answer.* If the expenses of maintaining and operating the rented portion can be separated accurately from the expenses on the portion used by the company, such expense shall be charged to account No. 320, "Rent expense" (Class C, account No. 320), and the rent received shall be credited to account No. 311, "Miscellaneous rent revenues" (Class C, account No. 320). The expense on the portion of building used by the company shall be charged to the appropriate operating expense accounts.

If the expense on the rented portion can not be separated accurately, the entire expense shall be charged to the operating expense accounts, and the rent received shall be credited to account No. 505, "Minor rents of exchange plant" (Class C, account No. 500) if building is used by the company exclusively for exchange purposes, to account No. 515, "Minor rents of toll plant" (Class C, account No. 510) if building is used exclusively for toll purposes, or to account No. 524, "Rents from other operating property" (Class C, account No. 520) if building is used for both exchange and toll purposes.

In the case of a large property, where the company uses only a minor portion and the expenses can be apportioned on an equitable basis, it is desirable to use accounts Nos. 311 and 320 (Class C, No. 320).

## CASE 81.

*Query.* What should be the accounting when a lessee company pays interest or dividends on the securities of a lessor company in accordance with the terms of the rental agreement between them?

*Answer.* The amounts so paid shall be charged by the lessee to account No. 330, "Rent deductions for lease of telephone plant" (Class C, account No. 370), and credited by the lessor to account No. 310, "Rent revenues from lease of telephone plant" (Class C, account No. 320).

## CASE 82.

*Query.* To what account should be charged the cost of minor work done in lieu of cash payments for pole locations, poles, and other supports, e. g., main-

tenance of telegraph lines of a railroad company in return for right-of-way privileges?

*Answer.* Account No. 602, "Repairs of aerial plant" (Class C, account No. 600).

## CASE 83.

*Query.* To what account should be charged amounts paid periodically to a railroad company for permission to cross its right of way, the right being reserved to revoke the permission at pleasure?

*Answer.* Account No. 334, "Miscellaneous rent deductions" (Class C, account No. 690).

## CASE 84.

*Query.* To what account should be charged rents paid for pole locations?

*Answer.* Account No. 332, "Rent deductions for conduits, poles, and other supports" (Class C, account No. 680).

## CASE 85.

*Query.* To what account should be charged rents paid for the use of circuits?

*Answer.* Account No. 334, "Miscellaneous rent deductions" (Class C, account No. 690).

## CASE 86.

*Query.* What should be the accounting when property leased by the accounting company is subleased, in whole or in part, to others?

*Answer.* Property subleased to others shall be accounted for as if the accounting company were leasing its own property.

If, however, the accounting company acts only in the capacity of an agent without profit in leasing property for others, the receipts from lessee and the payments to lessor may be applied to the same primary account or cleared through a suspense account.

## CASE 87.

*Query.* The coupons on certain securities contain a stipulation that if not paid on date of maturity the coupons shall bear interest from that date. To what account should the interest on the coupons be charged?

*Answer.* Account No. 336, "Other interest deductions" (Class C, account No. 360).

## CASE 88.

*Query.* A company sells short-term notes because the money market does not warrant the sale of the bonds which are deposited as collateral for the notes. Is it permissible to spread the discount on the notes over the life of the bonds, treating the sale and retirement of both notes and bonds as one transaction?

*Answer.* The sale and retirement of the notes shall be separately considered and the discount suffered on the notes shall be charged to account No. 336, "Other interest deductions" (Class C, account No. 360).

## CASE 89.

*Query.* To what account should be charged interest paid on taxes overdue and unpaid?

*Answer.* Account No. 336, "Other interest deductions" (Class C, account No. 360).

## CASE 90.

*Query.* What should be the accounting treatment in connection with delayed items of revenue, expense, or income?

*Answer.* Delayed items of revenue, expense, or income shall be credited or charged to the same account as would have been credited or charged if the items had been taken up in the period to which they pertained. If, however, the amounts involved are deemed sufficient to impair comparisons unduly and the company does not desire to charge them to the current accounts, adjustments may be made through the surplus or deficit accounts (Class A and B, accounts Nos. 401 and 417; Class C, account No. 195) upon obtaining special authority from the Interstate Commerce Commission.

## CASE 91.

*Query.* What should be the accounting treatment in connection with adjustments of errors in the revenue, expense, and income accounts of a prior fiscal year?

*Answer.* Errors in the revenue, expense, and income accounts of a prior fiscal year should be adjusted through the revenue, expense, and income accounts, respectively, of the year in which the errors are discovered. If, however, the amounts involved are deemed sufficient to impair comparisons unduly and the company does not desire to charge them to the current accounts, adjustments may be made through the surplus or deficit accounts (Class A and B, accounts Nos. 401 and 417; Class C, account No. 195) upon obtaining special authority from the Interstate Commerce Commission.

## CASE 92.

*Query.* To what account should be credited an amount received for the surrender of an unexpired lease on property?

*Answer.* Account No. 401, "Miscellaneous additions to surplus" (Class C, account No. 195).

## CASE 93.

*Query.* When the securities of a telephone company are reacquired, and then resold at a price other than par, what should be the accounting for the difference between the sale price and the par value?

*Answer.* Credit any profit to account No. 401, "Miscellaneous additions to surplus" (Class C, account No. 195), and debit any loss to account No. 417, "Other deductions from surplus" (Class C, account No. 195). The discount and premium accounts referred to in section 6, "Discount and premium on capital stock," and section 7, "Discount, expense and premium on funded debt," in the Uniform System of Accounts (Class C, accounts Nos. 150 and 190), are provided only for the initial sales of securities and are not applicable to the class of transaction under consideration.

## CASE 94.

*Query.* What should be the accounting for funds on deposit with a bank which has failed?

*Answer.* Pending the determination of the actual loss, such amounts shall be carried in account No. 136, "Other suspense" (Class C, account No. 150). When determined, the amount lost shall be charged to account No. 675, "Other general expenses" (Class C, No. 680); amounts recovered thereafter shall be credited to account No. 675 (Class C, No. 680).

## CASE 95.

*Query.* What should be the accounting for amounts billed subscribers under the following conditions:

(1) When the bill is rendered in gross amount and a discount allowed for payment within a specified period.

(2) When the bill is rendered in net amount and an additional amount is charged to subscribers who do not make settlement within a specified period.

*Answer.* (1) Either the gross or net amount of the bills may be recorded on the subscribers' ledger at the time the bills are rendered.

(a) If the gross amount of the bills is recorded on the subscribers' ledger, such discounts as are taken by subscribers shall be credited to their accounts and charged to account No. 500, "Subscribers' station revenues" (Class C, account No. 500), or other account to which the gross amount of the bill was previously credited.

(b) If the net amount of the bills is recorded on the subscribers' ledger, discounts neglected shall be entered against the appropriate subscribers' accounts at the end of the discount period and credited to account No. 500, "Subscribers' station revenues" (Class C, account No. 500), or other account to which the net amount of the bill was previously credited.

(2) The net amount of the bill shall be recorded on the subscribers' ledger. When the specified time for payment expires, the additional amount charged shall be entered against the accounts of such subscribers as have not made settlement and credited to account No. 500, "Subscribers' station revenues" (Class C, account No. 500), or other account to which the net amount of the bill was previously credited.

## CASE 96.

*Query.* The text of Class A and B account No. 304 permits companies to carry a subaccount under account No. 118, "Due from subscribers and agents," comprising a reserve for uncollectible revenue accounts. If this subaccount is kept, should it be closed out at the end of each year or may a balance be carried forward to the succeeding year?

*Answer.* If this method of accounting for uncollectible operating revenues is followed, there should be carried forward in this subaccount to the succeeding year a balance representing as nearly as possible that proportion which will prove to be uncollectible of the total amount of outstanding bills for operating revenues.

If Class C companies desire to set up a reserve for uncollectible operating revenues, monthly charges should be made to account No. 370, "Miscellaneous charges to income," and concurrent credits to a subaccount under account No. 125, "Due from subscribers and agents." The balance in this subaccount at the end of the year should be treated as provided in the above paragraph. (See Case 97.)

## CASE 97.

*Query.* What should be the accounting for operating revenues charged off as uncollectible but recovered later upon resumption of service or otherwise?

*Answer.* Credit the subaccount comprising the reserve for uncollectible accounts under account No. 118, "Due from subscribers and agents" (Class C, accounts No. 125), if such subaccount is kept; otherwise credit account No. 304, "Uncollectible operating revenues" (Class C, account No. 370). (See Case 96.)

## CASE 98.

*Query.* To what account should be charged permit fees paid to municipalities, counties, and other governmental bodies in connection with the initial location of poles or conduits?

*Answer.* Account No. 207, "Right of way" (Class C, accounts Nos. 240 or 250, as may be appropriate).

## CASE 99.

*Query.* To what account should be credited amounts received from other telephone companies as compensation for the terminal handling of toll messages?

*Answer.* Account No. 510, "Message Tolls" (Class C, account No. 510). In general, message toll revenue includes (1) the revenue from messages transmitted entirely over the company's own toll lines, (2) the company's proportion of revenue (usually termed "prorate" or "mileage") from messages transmitted partly over the company's own toll lines and partly over the toll lines of other companies, (3) amounts received as compensation for switching messages between the toll lines of other companies, and (4) commissions or amounts representing a division of revenue received as compensation for originating or terminating toll messages of other companies.

## CASE 100.

*Query.* What should be the accounting for slugs, etc., and for counterfeit or mutilated coins collected from coin box stations?

*Answer.* Any necessary adjustment for such items shall be made through the Operating Revenue accounts since these shall include in such cases only the face value of the legal tender coin collected.

## CASE 101.

*Query.* To what account should be charged amounts paid subscribers for directory or traffic service errors affecting telephone service?

*Answer.* Abatements of charges billed subscribers when allowed for directory or traffic service errors affecting telephone service shall be charged to the operating revenue account or accounts previously credited with respect to the particular service. (See sec. 19, p. 60, for Class A and B companies; accounts 500 and 510 for Class C companies.) Any additional payments resulting from such errors shall be charged to account No. 669, "Accidents and damages" (Class C, account No. 680).

## CASE 102.

*Query.* To what account should be charged amounts paid in connection with errors in directory advertising?

*Answer.* Abatements of charges allowed for directory advertising errors shall be charged to account No. 523, "Advertising and directory" (Class C, account No. 520). Any additional payments resulting from such errors shall be charged to account No. 669, "Accidents and damages" (Class C, account No. 680).

## CASE 103.

*Query.* What should be the accounting when telephone service is given at other than standard rates?

*Answer.* (1) If given to employees, ministers, charitable institutions, etc., credit the revenue accounts with the actual amounts, if any, charged for the service. No adjustment shall be made between the revenue and other accounts for the reduction from standard rates.

(2) If given in accordance with specific franchise requirements, including service given to municipalities for right of way, pole location, etc., charge the standard rates for such service to account No. 673, "Telephone franchise requirements" and credit similar amounts to account No. 676, "Telephone franchise requirements—Cr." (Class C, companies shall not include such items in either the revenue or expense accounts). (See Case 42.)

(3) If given for specific return other than to municipalities, e. g., for rights of way, advertising, etc., credit the revenue accounts at the standard rates for such service. Any reduction from standard rates shall be charged to the appropriate expense or income deduction account.

## CASE 104.

*Query.* To what accounts should the exchange revenue from hotel or department store contracts and from guarantee coin box exchange service be credited?

*Answer.* 1. When such service is established specifically for general public use, the revenue shall be credited to account No. 501, "Public pay station revenues" (Class C, account No. 500) as follows:

(a) The total amount of the exchange service revenue billed under contract, or the amount collected with respect to exchange service from the coin box if equal to or in excess of the guarantee. Any commission or amount retained by or paid to the guarantor shall be charged account No. 648, "Pay station commissions" (Class C, account No. 680).

(b) The full amount of the guarantee if the amount collected from the coin box with respect to exchange service is less than the guarantee.

(2) When such service is not established specifically for general public use, the exchange service revenue billed or the full amount of the guarantee, plus whatever net additional amount is due the telephone company, shall be credited to account No. 500, "Subscribers' station revenues" (Class C, account No. 500).

(3) In exceptional cases when a telephone system, owned by a hotel, store, or other establishment, receives central-office service from the company, the revenue shall be credited to account No. 503, "Service stations" (Class C, account No. 500).

## CASE 105.

*Query.* What is the proper accounting for messenger service receipts and disbursements which are incident to delivering messages and notifying persons of calls at telephone stations?



*Answer.* Messenger service revenue from subscribers and other telephone companies shall be credited to account No. 520, "Messenger service" (Class C, account No. 520).

The salaries paid to messengers who are in the company's employ shall be charged to account No. 630, "Messenger service" (Class C, account No. 660). Amounts paid to messengers who are not in the company's employ and amounts collected for and paid to other telephone companies for messenger service shall be charged to account No. 520, "Messenger service" (Class C, account No. 520).

## CASE 106.

*Query.* To what account should be credited the rent received for rooms leased to the local manager for personal (nonofficial) use in a building rented by the telephone company for central office purposes?

*Answer.* Account No. 505, "Minor rents of exchange plant" (Class C, account No. 500) if building is used by the company exclusively for exchange purposes, to account No. 515, "Minor rents of toll plant" (Class C, account No. 510) if building is used exclusively for toll purposes, or to account No. 524, "Rents from other operating property" (Class C, account No. 520) if building is used for both exchange and toll purposes.

## CASE 107.

*Query.* To what account should be credited unclaimed refunds on telephone service?

*Answer.* Account No. 525, "Other miscellaneous revenue" (Class C, account No. 520).

## CASE 108.

*Query.* To what account should be credited unclaimed subscribers' deposits, dividends, and wages?

*Answer.* Such items should be carried under the appropriate accounts payable until the expiration of the company's liability. At the end of a fiscal year, or more frequently if advisable, items which have been carried for the required period shall be credited to account No. 401, "Miscellaneous additions to surplus" (Class C, account No. 195).

## CASE 109.

*Query.* To what account should be credited revenue received from "battery taps," i. e., electrical power furnished others from the central office batteries?

*Answer.* Account No. 525, "Other miscellaneous revenue" (Class C, account No. 520).

## CASE 110.

*Query.* When the duties of employees are varied and a small amount of time is spent on each duty, thus affecting a number of accounts, is it required that their pay and expense be distributed on the basis of the actual time spent?

*Answer.* The pay and expenses of employees shall be distributed to the accounts as nearly as may be possible on basis of the time actually spent on each class of work. However, if the time is so split up as to make such a distribution impracticable, and if the employee does the same classes of work from day to day, his pay and expenses may be distributed by the use of percentages based on a study of the time actually spent in a representative period, such percentages being corrected from time to time as the facts warrant.

## CASE 111.

*Query.* When one department performs services or prepares data for another department, should any transfer of expense be made in the accounts?

*Answer.* When, in the ordinary conduct of business, it is necessary that one department perform services for or furnish data to another department, no transfer of expense is required.

Where the employees of one department perform an extensive service which is the function of another department, the expense shall be transferred to such department and charged to the accounts affected; but no transfer of expense is required to be made for incidental services performed for one department by another. For example, if the traffic department rates and sorts toll tickets, makes check ledger entries, and prepares reports to facilitate the work of the department performing the function of revenue accounting, such service being incidental to the work of the traffic department, the expense may be borne by the traffic department.

## CASE 112.

*Query.* To what account should be charged the pay and expenses of managers at small exchanges who are engaged in constructing and maintaining the plant and in traffic and commercial operations?

*Answer.* Construction and maintenance costs shall be charged to the appropriate fixed capital (plant and equipment) and maintenance accounts, respectively, and the remainder shall be distributed to the appropriate traffic and commercial expense accounts. If it is impracticable to distribute the charges to the traffic and commercial expense accounts on the basis of actual time spent, the distribution may be made on a percentage basis.

## CASE 113.

*Query.* To what account should be charged the commissions paid to exchange agents or managers in lieu of salary, operating expenses, etc.?

*Answer.* Any construction or maintenance costs having been first deducted and charged to appropriate accounts, the remainder shall be divided between Traffic and Commercial Expenses by means of percentages agreed upon by these departments. Class C companies, after charging construction and maintenance accounts according to fact, shall charge the remainder to account No. 670, "General office salaries."

## CASE 114.

*Query.* To what account should be charged the pay and expenses of foremen and subforemen of repair gangs?

*Answer.* Their pay and expenses shall be distributed over the various maintenance accounts in the same manner as that of employees under their supervision. The repair accounts shall include the cost of direct supervision such as that of the foremen and subforemen while the cost of general maintenance supervision such as that of the general, divisional, and district plant superintendents shall be charged to account No. 601, "Supervision of maintenance" (Class C, account No. 670).

## CASE 115.

*Query.* To what account should be charged the pay and expenses of troublemen engaged to some extent in traffic work?

*Answer.* The pay and expenses of troublemen shall be distributed to the several maintenance, traffic, or other accounts involved in their work. (See Cases 110 and 111.)

## CASE 116.

*Query.* To what account should be charged the pay and expenses of wire chiefs?

*Answer.* The pay and expenses of wire chiefs shall be distributed to the several maintenance, traffic, or other accounts involved in their work. (See Cases 110 and 111.)

## CASE 117.

*Query.* Must specific authorization be obtained from the Interstate Commerce Commission whenever it is desired to spread over a period large items of expense due to judgments, fires, accidents, strikes, etc.?

*Answer.* Such items may be spread over two or more months of a single calendar year without specific authority from the Commission.

If Class A and B companies desire to extend into the succeeding year charges provided for in section 24, page 68, of the Uniform System of Accounts, and if Class C companies desire to spread similar expense over succeeding years, special authorization must be obtained.

## CASE 118.

*Query.* What should be the accounting for additional pay allowed employees for loyal service and overtime work during a strike?

*Answer.* Charge the accounts to which the regular pay of the employees is chargeable.

## CASE 119.

*Query.* A company is required by a city ordinance to cut and replace overhead wires when it is necessary to move a building across or along the street. To what account shall such expense be charged?

*Answer.* Account No. 602, "Repairs of aerial plant" (Class C, account No. 600).

## CASE 120.

*Query.* What should be the accounting for the expense of making changes at cable terminals on account of changing service from one-party to two-party lines, or vice versa, and on account of reassociation of party lines?

*Answer.* Charge account No. 602, "Repairs of aerial plant" (Class C, account No. 600) or account No. 605, "Repairs of station equipment" (Class C, account No. 610) according to the class of wire worked upon.

## CASE 121.

*Query.* A franchise granted by a municipality requires that the company shall, when so required by the city engineer, change its pole line to conform to curb and grade lines established by the city. Should the cost of this work be charged to account No. 673, "Telephone franchise requirements"?

*Answer.* No. If substitution of new plant for existing plant is not involved, charge account No. 602, "Repairs of aerial plant" (Class C, No. 600), unless the expense is relatively large and provision therefor has been made in the depreciation reserve, in which case treat as "extraordinary repairs" (Class C, "reconstruction").

If substitution of new plant for existing plant is involved, the substitution not amounting to a practical replacement, treat as "extraordinary repairs" (Class C, "reconstruction"). Otherwise, treat through the plant accounts, i. e., credit the appropriate plant accounts with the cost of the property retired and charge the appropriate plant accounts with the cost of the new property.

## CASE 122.

*Query.* What should be the accounting when, in connection with street or roadway improvements, a telephone company is required to move its pole line at its expense?

*Answer.* If substitution of new plant for existing plant is not involved, charge account No. 602, "Repairs of aerial plant" (Class C, No. 600), unless the expense is relatively large and provision therefor has been made in the depreciation reserve, in which case treat as "extraordinary repairs" (Class C, "reconstruction").

If substitution of new plant for existing plant is involved, the substitution not amounting to a practical replacement, treat as "extraordinary repairs" (Class C, "reconstruction"). Otherwise, treat through the plant accounts, i. e., credit the appropriate plant accounts with the cost of the property retired and charge the appropriate plant accounts with the cost of the new property.

## CASE 123.

*Query.* To what account should be charged the expense of pole butt reinforcements to make good the deterioration of the pole?

*Answer.* Ordinarily, this work should be classed as ordinary repairs and the cost thereof charged to the primary repair accounts. However, if provision for such work has been made in the depreciation reserve, the work should be treated by Class A and B companies as "extraordinary repairs," and by Class C companies as "reconstruction."

## CASE 124.

*Query.* What should be the accounting for the following items in connection with schools conducted by the company for the instruction of plant department employees?

- (1) Equipment installed and used in such schools.
- (2) Maintenance of above (if done independently of school work).
- (3) Salaries of men during attendance.
- (4) Salaries and expenses of instructors, materials consumed in connection with such work, rent, and house service, etc.

*Answer.* (1) Charge the fixed capital (or plant and equipment) accounts for the classes of plant involved.

(2) Charge the maintenance accounts for the classes of plant involved.

(3) Consider as nonproductive time and distribute over productive time of the men engaged on the kinds of work covered by the school; e. g., time of the men studying the work of an installer should be distributed over productive time of the installation force.

(4) Apportion, on an equitable percentage basis, to the accounts covering the several types of work covered by the school.

## CASE 125.

*Query.* To what account should be charged the pay and expenses of students while engaged in learning the work of switchmen in automatic central offices?

*Answer.* Account No. 604, "Repairs of central office equipment" (Class C, account No. 610).

## CASE 126.

*Query.* To what account should be charged the expense of temporarily disconnecting subscribers' lines in the central office for periods of nonuse or because of nonpayment of bills?

*Answer.* Account No. 604, "Repairs of central office equipment" (Class C, account No. 610).

## CASE 127.

*Query.* To what account should be charged the wages of switchmen in automatic central offices?

*Answer.* Account No. 604, "Repairs of central office equipment" (Class C, account No. 610), except for time spent in operating the power plant, which should be charged account No. 628, "Transmission power" (Class C, account No. 660).

## CASE 128.

*Query.* What should be the accounting when a component part of a station (not a complete station) is replaced; e. g., when occasionally a desk set or bell is substituted for one worn out or requiring repairs?

*Answer.* The substitution of a component part of a station set being a minor replacement as defined in section 21, page 66, of the Uniform System of Accounts (Class C, sec. 14, p. 12) the cost thereof shall be charged to account No. 605, "Repairs of station equipment" (Class C, account No. 610). The part removed shall be credited to account No. 605 (Class C, No. 610) at salvage value.

## CASE 129.

*Query.* To what account should be charged repairs to rented buildings made by the accounting company?

*Answer.* Account No. 606, "Repairs of buildings and grounds" (Class C, account No. 640), unless the rent paid for the building is charged to one of the clearing accounts (Class A and B accounts Nos. 701 to 706), in which case the repairs should be charged to the same clearing account.

## CASE 130.

*Query.* A plant employee is sent to disconnect a subscriber's station because of nonpayment for service. To what account should the expense be charged if the work of disconnecting is abandoned because of the payment of the bill?

*Answer.* Account No. 607, "Station removals and changes" (Class C, account No. 620).

## CASE 131.

*Query.* Should the text of account No. 610, "Other maintenance expenses" (Class C, account No. 640) be interpreted as excluding expenses incurred by the plant department which are not in the nature of "repairs" to telephone plant and equipment?

*Answer.* No. Miscellaneous items of maintenance and operating expense incurred by the plant department which are not chargeable to maintenance accounts Nos. 601 to 609, inclusive, and clearing accounts Nos. 701 to 707, inclusive (Class C, accounts Nos. 600, 610, and 620), may be charged to account No. 610 (Class C, account No. 640). (See Case 111.)

## CASE 132.

*Query.* When material fit to use again has been taken out of plant and charged to the materials and supplies accounts at the original cost, estimated if not known, or at the price of corresponding new material, what should be the accounting for repairing (not converting) such material?

*Answer.* Charge the expense of repairs made thereon to the repair accounts which would have been charged had the repairs been made while the material was in actual service. Only items involving expense due to causes defined as depreciation and so large as to distort the ordinary repair accounts shall be treated as "extraordinary repairs" by Class A and B companies (sec. 21, p. 66, of the Uniform System of Accounts) and as "reconstruction" by Class C companies (see sec. 12, p. 11, of the Uniform System of Accounts).

## CASE 133.

*Query.* What should be the accounting for the expense of repairs to used office furniture and fixtures carried in the materials and supplies accounts?

*Answer.* (1) If the used furniture and fixtures had been charged to the materials and supplies account at salvage value, the cost of the repairs shall be charged to account No. 122, "Materials and supplies" (Class C, account No. 135).

(2) If the used furniture and fixtures had been charged to materials and supplies account at the original cost, or at the price of corresponding new material, the cost of repairs shall be charged to the expense accounts which would have been charged had the repairs been made while the furniture and fixtures were in actual service, except in cases where provision has been made for such expense in the depreciation reserve, Class A and B companies shall treat the matter as "extraordinary repairs" and Class C companies as "reconstruction" (see sec. 21, p. 66, of the Uniform System of Accounts for Class A and B companies and sec. 12, p. 11, for Class C companies). (See Case 52.)

## CASE 134.

*Query.* What should be the accounting for the cost of repairs to connecting companies' and to farmers' lines when the work is done and the expense is borne by the accounting company?

*Answer.* Charge the appropriate repair accounts of the accounting company according to the class of plant worked upon.

## CASE 135.

*Query.* To what account should be charged the expense of moving an employee from one location to another when transferred by the telephone company and the expense is assumed by it?

*Answer.* Charge the account to which traveling expenses of the employee in the new location would be charged.

## CASE 136.

*Query.* To what account should be charged the cost of figuring rates and the expense of issuing tariff and route books?

*Answer.* The expense of figuring the rates and preparing the data shall be apportioned between account No. 621, "Traffic superintendence," and account No. 640, "Commercial administration," according to work performed (Class C, charge account No. 670).

The expense of printing and distributing shall be apportioned between account No. 629, "Central office stationery and printing," and account No. 640, "Commercial administration," on an equitable basis (Class C, accounts Nos. 660 and 680).

## CASE 137.

*Query.* To what account should be charged the expenses incurred by the traffic inspectors in making test calls, adjusting service complaints, inspecting subscribers' private branch exchanges and instructing subscribers' private branch exchange operators?

*Answer.* Account No. 622, "Service inspection" (Class C, account No. 660). Cash refunded to patrons and amounts deposited in making test calls by inspectors and other employees of the company should not be charged to this account but should be charged to the revenue accounts.

## CASE 138.

*Query.* To what account should be charged the expense incurred by the traffic department in reading meters installed on measured service lines?

*Answer.* Account No. 623, "Clerical operating wages" (Class C, account No. 660).

## CASE 139.

*Query.* What should be the accounting for the pay of operators furnished lessees of private branch exchanges and for the amounts received for such services?

*Answer.* Charge the pay of the operators to account No. 624, "Operators' wages" (Class C, account No. 650).

If the operators are regularly employed by the telephone company, credit the payments from subscribers for the services of the operators to account No. 525, "Other miscellaneous revenues" (Class C, account No. 520). If the operators are not regularly employed by the telephone company, credit the reimbursement to account No. 624, "Operators' wages" (Class C, account No. 650).

## CASE 140.

*Query.* To what account should be charged the pay and expenses of wire chiefs when working on Morse leased lines in central offices?

*Answer.* Charge the accounts otherwise charged with the pay and expenses of wire chiefs unless considerable time is involved, in which case charge account No. 624, "Operators' wages" (Class C, account No. 650).

## CASE 141.

*Query.* When a telephone company operates a private-branch exchange for company (official) business, should any transfer be made from traffic expenses to the expense accounts of the departments served?

*Answer.* No. The cost of operating such private branch exchanges shall be charged to the various accounts under traffic expenses.

## CASE 142.

*Query.* Should any portion of supply expense and plant supervision expense be applied on plant department charges to Class A and B, account No. 628, "Transmission power," and account No. 673, "Telephone franchise requirements?"

*Answer.* Yes. The appropriate portion of such expenses may be charged to account No. 628 and account No. 673 in the usual manner.

## CASE 143.

*Query.* To what account should be charged amounts refunded to connecting companies for postage on toll tickets and reports forwarded?

*Answer.* Account No. 629, "Central office stationery and printing" (Class C, account No. 660).

## CASE 144.

*Query.* To what account should be charged the cost (i. e., postage and other transportation charges) of forwarding toll tickets:

- (1) From central offices to revenue accounting offices.
- (2) From revenue accounting offices to local collection offices.

*Answer.* (1) Account No. 629, "Central office stationery and printing" (Class C, No. 660).

- (2) Account No. 646, "Revenue accounting" (Class C, No. 680).

## CASE 145.

*Query.* To what account should be charged the cost of covers, chains, and locks used in connection with directories at pay stations?

*Answer.* Account No. 632, "Pay station expenses" (Class C, account No. 660).

## CASE 146.

*Query.* What is the general distinction between items of expense account of pay stations which are chargeable to account No. 632, "Pay station expenses" (Class C, account No. 660), and those which are chargeable to account No. 648, "Pay station commissions" (Class C, account No. 680)?

*Answer.* Account No. 632, "Pay station expenses" (Class C, No. 660), shall be charged only with the costs of *specific items* of traffic expense, such as are classable under that account. Items chargeable to this account usually occur in connection with pay stations which are attended by a company employee or by a joint employee, and should be stated as flat sums rather than as percentages on receipts.

Account No. 648, "Pay station commissions" (Class C, No. 680) shall be charged with all percentages of receipts, or flat amounts deducted from receipts, or other specified sums, which are paid either to the agent in charge (usually not a salaried employee of the company) or to the person, individual, corporation, or other, upon whose premises the public pay station is located, as *general*



compensation for all that is furnished with respect to this station, i. e., space, light, heat, attendance, incidental advertising, etc.

When the classification is doubtful, the expense shall be charged to account No. 648, "Pay station commissions" (Class C, No. 680).

## CASE 147.

*Query.* What should be the accounting for the cost of stationery and printing used by the commercial department?

*Answer.* This expense should be apportioned on the basis of use to the several accounts under "Commercial expenses" (Class C, account No. 680).

## CASE 148.

*Query.* When a telephone company, instead of providing its own switchboard and switchboard operator, terminates its toll lines in the switchboard of another telephone company and arranges to have the latter do the necessary operating, what should be the accounting if the charges for such services are on a flat sum basis (not on a division of revenue)?

*Answer.* The company receiving the service shall charge account No. 633, "Other traffic expenses" (Class C, account No. 660).

If services are billed at cost, the company performing the service shall credit the appropriate operating or other accounts previously charged; if not billed at cost, it should credit account No. 525, "Other miscellaneous revenue" (Class C, account No. 520).

## CASE 149.

*Query.* To what account should be charged (1) miscellaneous contributions, and (2) related expense, such as decorating buildings or furnishing floats on holiday occasions?

*Answer.* (1) If contributions are made for the purpose of developing traffic, for example, expenses incurred in connection with an industrial exposition or other business occasion, charge account No. 642, "Advertising" (Class C, account No. 680). If contributions are made without regard to traffic but incidentally for the benefit of the operations of the company, such as those to local fire departments, business leagues, Y. M. C. A., and similar institutions charge the appropriate expense account of the department concerned; or, if impossible of allocation, charge account No. 675, "Other general expenses" (Class C, account No. 680).

(2) Expenditures such as those for decorating buildings and furnishing floats on holiday occasions, except when incurred for traffic purposes and, therefore, chargeable to account No. 642, "Advertising" (Class C, account No. 680) should be departmentalized as far as possible. Items so general in character as not to admit of departmentalization should be charged to account No. 675, "Other general expenses" (Class C, account No. 680). (See Case 111.)

## CASE 150.

*Query.* To what account should be charged the salaries and expenses of auditors of receipts and their clerks and division auditors of receipts and their clerks?

*Answer.* Account No. 646, "Revenue accounting" (Class C, account No. 670).

## CASE 151.

*Query.* To what account should be charged the cost of postage used in mailing bills to subscribers?

*Answer.* Account No. 647, "Revenue collecting" (Class C, account No. 680).

## CASE 152.

*Query.* To what account should be charged the cost of special editions of directories, or parts of directories, for use by the traffic department?

*Answer.* Account No. 649, "Directory expenses" (Class C, account No. 680) or treat through account No. 132, "Prepaid directory expense" (Class C, account No. 145).

## CASE 153.

*Query.* To what account should be credited amounts received from the sale of new directories or as salvage on old directories?

*Answer.* Credit receipts from sales of directories to account No. 523, "Advertising and directory" (Class C, account No. 520), and from salvage to account No. 649, "Directory expenses" (Class C, account No. 680).

## CASE 154.

*Query.* To what account should be charged losses incurred by reason of shortage in a local manager's account in excess of the amount paid on his bond by the surety company?

*Answer.* Account No. 640, "Commercial administration" (Class C, account No. 680).

## CASE 155.

*Query.* To what account should be charged the pay of a general manager or superintendent having supervision of the entire operations of the company?

*Answer.* Account No. 661, "Salaries of general officers" (Class C, account No. 670).

## CASE 156.

*Query.* What account should be charged with the expense of a board of arbitrators on subscribers' rates?

*Answer.* Account No. 650, "Other commercial expenses" (Class C, account No. 680).

## CASE 157.

*Query.* To what account shall be charged the expense of compiling data and making reports to the Federal Government, public-service commissions, tax authorities, and others, and of testifying before such bodies?

*Answer.* The expense shall be charged to the accounts otherwise charged with the pay and expenses of the employees who prepare the reports or testify before such bodies. For example, if the reports are prepared by the general office clerks, the expense of preparing should be charged to account No. 662, "Salaries of general office clerks" (Class C, account No. 670); if the data regarding plant are prepared by the plant forces, the expense should be charged to account No. 601, "Supervision of maintenance," or account No. 706, "Plant supervision expense" (Class C, account No. 640); if the passing of tax claims, filing tax reports, and making returns to tax assessors are handled by the legal department, the expense should be charged to account No. 667, "General law expenses" (Class C, account No. 670).

## CASE 158.

*Query.* To what account should be charged allowances and expenses of receivers operating a telephone company under orders of the court?

*Answer.* Account No. 661, "Salaries of general officers" (Class C, No. 670), and account No. 663, "General office supplies and expenses" (Class C, account No. 680), except that expenses incurred for legal services shall be charged to account No. 667, "General law expenses" (Class C, account No. 680).

## CASE 159.

*Query.* Is any accounting distinction to be made between monthly or other periodic payments to attorneys regularly retained by the company and those retained for specific services?

*Answer.* No. Both the periodic payments to attorneys regularly retained by the company and the payments to and expenses of attorneys retained for specific services shall be charged to account No. 667, "General law expenses," or account No. 670, "Law expenses connected with damages," as may be appropriate (Class C, account No. 680).

## CASE 160.

*Query.* A company elects to protect itself against all losses ordinarily covered by premium insurance, by setting up a reserve for that purpose, but, in order to obtain additional protection, a part or all of the risk is placed with an insurance company. What should be the accounting for the premiums paid to and the recoveries received from the insurance company?

*Answer.* The amounts set aside as an insurance reserve shall be charged to account No. 663, "Insurance" (Class C, account No. 680), and credited to account No. 169, "Insurance and casualty reserves" (Class C, account No. 190). Premiums paid insurance companies for such reinsurance shall be charged to account No. 169 (Class C, account No. 190) and recoveries from such companies shall be credited to account No. 169 (Class C, account No. 190).

## CASE 161.

*Query.* What should be the accounting for insurance premiums on materials and supplies carried in stock?

*Answer.* Charge account No. 663, "Insurance" (Class C, account No. 680), with the premiums paid and periodically transfer the portion applicable to construction to the appropriate fixed capital (plant and equipment) accounts or charge to account No. 274, "Miscellaneous construction expenditures" (Class C, account No. 270).

## CASE 162.

*Query.* To what account should be charged the cost of insuring of the continuity or regularity of revenues or earnings, i. e., "use-and-occupancy insurance"?

*Answer.* Account No. 663, "Insurance" (Class C, account No. 680).

## CASE 163.

*Query.* To what account should be charged the premium paid on a judicial bond necessary in connection with the appeal of a personal-injury or damage case?

*Answer.* Account No. 670, "Law expenses connected with damages" (Class C, account No. 680).

## CASE 164.

*Query.* To what account should be charged the premiums on bonds given as follows:

(1) To municipalities under the general terms of a franchise or ordinance and not in connection with specific construction or maintenance work.

(2) To municipalities or property owners in connection with specific pieces of construction or maintenance work.

*Answer.* (1) Account No. 673, "Telephone franchise requirements" (Class C, account No. 680).

(2) The appropriate construction or maintenance accounts according to the nature of the work.

## CASE 165.

*Query.* To what account should be charged the expense of publishing a company newspaper or other journal?

*Answer.* Account No. 675, "Other general expenses" (Class C, account No. 680), unless published in the interest of a specific department, in which case charge the operating expense account pertaining to that department. Receipts from subscriptions and from the sale of advertising space in such journals shall be credited account No. 675 (Class C, No. 680) or the other account to which the cost of publishing was charged.

## CASE 166.

*Query.* May the cost of patents be charged by Class A and B companies direct to account No. 674, "Amortization of franchises and patents," instead of to account No. 203, "Patent rights," and amortized through charges to account No. 674?

*Answer.* Charges to account No. 674, "Amortization of franchises and patents," on account of patents should be restricted to amounts necessary to cover such portion of the life of patents charged to account No. 203, "Patent rights," as it is estimated has expired or been consumed.

The character of a patent purchased should determine whether or not the cost, or any portion thereof, should be charged to account No. 203, "Patent rights." Any amounts paid for patents having an estimated service life of less than one year, patents of doubtful service value, patents in an undeveloped state, patents acquired at small cost, and similar expenditures on account of patents may be charged direct to account No. 675, "Other general expenses."

## CASE 167.

*Query.* To what account should be charged the cost of a general audit of a company's books by an audit company?

*Answer.* Account No. 675, "Other general expenses" (Class C, account No. 680).

## CASE 168.

*Query.* To what account should be charged the cost of printing franks for the use of officers and employees of the company?

*Answer.* Account No. 675, "Other general expenses" (Class C, account No. 680).

## CASE 169.

*Query.* A pay check fell into the hands of an unauthorized party, who secured payment by use of a forged signature. The company was unable to effect collection from the bank paying the check, or from the person forging the same. To what account should the loss be charged?

*Answer.* Account No. 675, "Other general expenses" (Class C, account No. 680).

## CASE 170.

*Query.* An agent of the company received a summons garnisheeing the wages of an employee. On account of delay incident to notifying the legal department, the employee succeeded in drawing his pay and the company was obliged to make good the amount of the claim. To what account should the loss be charged?

*Answer.* Charge the appropriate account of the department responsible for the delay.

## CASE 171.

*Query.* To what account should be charged the cost of first-aid kits and renewals of same?

*Answer.* When such expense is incurred primarily for the plant department, charge account No. 706, "Plant supervision expense"; otherwise, charge the appropriate expense accounts of the departments in whose interests the costs are incurred.

## CASE 172.

*Query.* To what account should be charged the cost of inventories and appraisals of plant?

*Answer.* Inventories and appraisals should be treated in the accounts as follows:

(1) Those taken incident to the ascertainment of a general valuation of the property owned or used by the company, including those taken in accordance with the Act to regulate commerce, or with other similar Federal or State requirements; charge to account No. 675, "Other general expenses," preferably in a subaccount entitled "Valuation expenses" (Class C, account No. 680). This ruling does not modify the provisions relating to betterments contained in section 9, page 32, of the Uniform System of Accounts for Class A and Class B Companies.

(2) Those taken on the orders of public authorities for other purposes such as for use in rate cases, or for the purpose of adjusting rate schedules; charge the cost to account No. 675, "Other general expenses" (Class C, account No. 680).

(3) Those taken in connection with the projected purchase of property; charge account No. 136, "Other suspense" (Class C, account No. 150), pending their final disposition. If the property is finally purchased, the cost should be considered as part of the price paid and charged to the appropriate asset account. If the property is not purchased, the cost shall be charged to account No. 417, "Other deductions from surplus" (Class C, account No. 195).

(4) Those taken in connection with the projected sale or lease of property to others; charge account No. 136 (Class C, No. 150), pending their final disposition. If the property is finally leased, charge the account appropriate for rent. If the property is sold and the selling price includes the cost of appraisal, such cost shall be considered a part of the sale price. If the project is finally abandoned, or if the property is sold, but the selling cost does not include the cost of appraisal, the cost of appraisal shall be charged to account No. 417 (Class C, No. 195).

No amounts shall be included in the cost of inventories and appraisals for incidental services of officers and employees; but special office, clerical, traveling, and incidental expenses incurred by such officers and employees may be included.

## CASE 173.

*Query.* What should be the accounting for expenses incurred by the plant department in inspecting for and in checking the attachments of other companies to the pole lines of the accounting company?

*Answer.* Charge account No. 610, "Other maintenance expenses" (Class C, account No. 640), or if performed incident to other work, charge the accounts otherwise charged with the pay and expenses of the employees who perform the services.

## CASE 174.

*Query.* To what account should be charged expenses on account of associations maintained by and in behalf of telephone companies?

*Answer.* The salaries and expenses of the officers representing the company as members of the associations shall be charged to the accounts to which the salaries and expenses of such officers are chargeable in connection with the operation of the telephone plant. Amounts paid incident to the maintenance of such associations shall be charged to account No. 675, "Other general expenses" (Class C, account No. 680).

## CASE 175.

*Query.* What should be the accounting for the expense of overhauling and repairing of motor trucks and like equipment?

*Answer.* The customary annual overhauling of such apparatus shall be charged to account No. 702, "Stable and garage expense," and cleared as provided in the text of that account. Work of less frequent occurrence or involving such reconstruction items as replacing the engine may be handled as "extraordinary repairs," if the reserve has been provided for such expenses. Class C companies shall charge this expense to account No. 640, "Other maintenance expenses."

## CASE 176.

*Query.* To what account should be charged rent of land used for storage of material for use in construction and maintenance work?

*Answer.* Account No. 704, "Supply expense," and cleared as provided in the text of that account. Class C companies shall distribute on an equitable basis between account No. 640, "Other maintenance expenses," and account No. 270, "Undistributed construction expenditures."

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## O

UNIFORM SYSTEM OF ACCOUNTS  
FOR  
TELEPHONE COMPANIES

CLASS C

PRESCRIBED BY THE  
INTERSTATE COMMERCE COMMISSION  
IN ACCORDANCE WITH SECTION 20 OF THE  
ACT TO REGULATE COMMERCE

ISSUE OF 1915  
EFFECTIVE ON JANUARY 1, 1915



WASHINGTON  
GOVERNMENT PRINTING OFFICE  
1914

SCHOOL OF BUSINESS  
COLUMBIA UNIVERSITY

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THE INTERSTATE COMMERCE COMMISSION.

JAMES S. HARLAN, *of Illinois.*  
 JUDSON C. CLEMENTS, *of Georgia.*  
 EDGAR E. CLARK, *of Iowa.*  
 CHARLES C. McCHORD, *of Kentucky.*  
 BALTHASAR H. MEYER, *of Wisconsin.*  
 HENRY C. HALL, *of Colorado.*  
 WINTHROP M. DANIELS, *of New Jersey.*  
 GEORGE B. MCGINTY, *Secretary.*

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(3)

ORDER.

At a General Session of the INTERSTATE COMMERCE COMMISSION, held at its office in Washington, D. C., on the 13th day of October, 1914.

The subject of a Uniform System of Accounts to be prescribed for and kept by telephone companies being under consideration, the following order was entered:

*It is ordered,* That the Uniform System of Accounts for Telephone Companies, Class C, with the text pertaining thereto, embodied in printed form to be hereafter known as Issue of 1915, a copy of which is now before this Commission, be, and the same is hereby, approved; that a copy thereof duly authenticated by the Secretary of the Commission be filed in its archives, and a second copy thereof, in like manner authenticated, in the office of the Division of Carriers' Accounts; and that each of said copies so authenticated and filed shall be deemed an original record thereof.

*It is further ordered,* That the said Uniform System of Accounts for Telephone Companies, Class C, with the text pertaining thereto, be, and the same is hereby, prescribed for the use of Class C telephone companies (those having annual operating revenues exceeding \$10,000 but not more than \$50,000), subject to the provisions of the Act to Regulate Commerce as amended, in the keeping and recording of their accounts; that each and every such carrier and each and every receiver or operating trustee of any such carrier be required to keep all accounts in conformity therewith; and that a copy of the said issue be sent to each and every such carrier and to each and every receiver or operating trustee of any such carrier.

*It is further ordered,* That any such carrier or any receiver or operating trustee of any such carrier may subdivide any primary account in the said issue (as permitted in the general instructions contained therein); or may make assignment of the amount charged to any such primary account to operating divisions, to its individual lines, or to States: *Provided, however,* That such subprimary accounts set up or such assignments made by any such carrier or by any receiver or operating trustee of any such carrier do not impair the integrity of the accounts hereby prescribed.

*It is further ordered,* That in order that the basis of comparison with previous years be not destroyed, any such carrier or any receiver

or operating trustee of any such carrier may, during the twelve months ending December 31, 1915, keep and maintain, in addition to the accounts hereby prescribed, such portion or portions of its present accounts as may be deemed desirable by any such carrier, or by any receiver or operating trustee thereof, for the purpose of such comparison; or, during the same period, may maintain such groupings of the primary accounts hereby prescribed as may be desired for that purpose.

*It is further ordered,* That any such carrier or any receiver or operating trustee of any such carrier, in addition to the accounts hereby prescribed, may, unless otherwise ordered, keep any temporary or experimental accounts the purpose of which is to develop the efficiency of operation: *Provided, however,* That such temporary or experimental accounts shall not impair the integrity of any primary account hereby prescribed.

*It is further ordered,* That January 1, 1915, be, and is hereby, fixed as the date on which the said issue of the Uniform System of Accounts for Telephone Companies, Class C, shall become effective.

By the Commission:

(SEAL)

GEORGE B. MCGINTY,  
*Secretary.*

## INTRODUCTORY LETTER.

INTERSTATE COMMERCE COMMISSION,  
DIVISION OF CARRIERS' ACCOUNTS,  
Washington, October 13, 1914.

### TO CLASS C TELEPHONE COMPANIES:

This Uniform System of Accounts for Telephone Companies, Class C, is that approved and prescribed in the order of the Interstate Commerce Commission, the text of which immediately precedes this letter. The Act to Regulate Commerce as amended invests the Commission with authority to prescribe the forms of accounts to be kept by telephone companies subject to the act, and prohibits the use of any accounts other than those prescribed by the Commission. The observance of the rules and regulations stated in this system of accounts therefore becomes obligatory upon persons having direct charge of the accounts of the companies concerned, and such persons will be held responsible for their proper application.

To enable telephone companies to determine their status under the Act to Regulate Commerce, the following conference ruling of the Commission, promulgated March 13, 1911, is quoted:

#### NO. 305. APPLICATION OF THE AMENDED ACT TO TELEGRAPH AND TELEPHONE COMPANIES:

(a) Each and every telegraph and telephone company which transmits messages over its line or lines from a point in one State, territory, or district of the United States to any other State, territory, or district of the United States, or to any foreign country, is subject to the provisions of the act.

(b) If a telegraph or telephone company, the line of which is wholly within a single State, territory, or district of the United States, receives a message within such State, Territory, or District of the United States, for transmission to a point without the State, territory, or district of the United States, which it transmits over its line to another point in the same State, territory, or district of the United States and there delivers it to an interstate line for transmission to destination, the first-named company by virtue of its participation in this transaction, is not made subject to the provisions of the act, unless there be an arrangement between that company and its connection for through continuous transmission of such messages, in which latter case all of the participating companies in such through continuous transmission are subject to the provisions of the act.

(c) If two or more lines are connected so that a person within one State, Territory, or District of the United States talks with a person at a point without such State, Territory, or District of the United States, or so that a message is transmitted directly from a point within a State, Territory, or District of the United States to a point without the same, the transmission of messages in this manner constitutes interstate commerce and brings all of the participating lines within the purview of the act.

(d) It follows that telegraph and telephone companies subject to the act, as above indicated, must conform to the provision of section 1 thereof requiring that all of their rates and charges for the transmission of interstate messages shall be reasonable

and just, and that such companies may lawfully issue franks covering free interstate service or may grant free interstate service to the same extent, and subject to the same limitations as other common carriers under the provisions of said section.

(e) Such telegraph and telephone companies subject to the act are also governed by the provisions of section 3 forbidding any undue or unreasonable preference or advantage by rebates or otherwise, or any undue or unreasonable prejudice or disadvantage in any respect whatsoever, and are subject to the lawful orders of the Commission made pursuant to the provisions of section 15 of the act, and also of section 20 thereof respecting the keeping of accounts and memoranda and the making of reports to the Commission.

Although the lines of a company may be entirely within one State, if it handles interstate messages for long-distance companies on a commission basis or otherwise handles interstate messages under the conditions named in paragraph c of the ruling, it is subject to the Act to Regulate Commerce.

The system of accounts prescribed herein applies only to Class C companies (those having annual operating revenues exceeding \$10,000 but not over \$50,000). The system for the larger companies has been in effect since January 1, 1913, and is contained in a separate publication.

It has been the aim, in preparing the system of accounts, to make it as simple as possible, and at the same time furnish such information as is needed by the Commission and is useful to the companies. It is believed that this system of accounts will be sufficient to meet the requirements of Class C companies and will not be difficult of application. If, however, any Class C companies desire to keep their accounts in greater detail, they may subdivide any of the accounts prescribed herein, or may adopt the system prescribed for Class A or Class B companies.

In formulating this system of accounts it has been the endeavor to enlist the cooperation of the telephone companies and of the various State commissions having supervision of telephone companies. For that purpose the system of accounts in tentative form has been submitted for criticisms and suggestions, and due consideration has been given to all responses received.

Accounting officers are invited to correspond with this office should question arise with regard to the correct interpretation of any account or rule prescribed in the system of accounts, in order that uniformity may be secured in the application of its provisions.

As an aid to the smaller telephone companies in the keeping of their accounts, there is contained in the appendix a bookkeeping system for small telephone companies. This form of bookkeeping is suggestive only, and it is not required that the companies make use of it either in whole or in part. The companies may for the present adopt any bookkeeping system they desire, so long as the one adopted will produce the results required by the system of accounts herein prescribed.

FRED W. SWENEY,  
Chief Examiner of Accounts.

## GENERAL INSTRUCTIONS.

The records of telephone companies shall be kept with sufficient particularity to show fully the facts pertaining to all entries made in the accounts provided herein. Where the full information is not recorded in the general books, the entries therein shall be supported by other records in which the full details shall be shown. Such general book entries shall contain sufficient reference to the detail records to permit ready identification of the latter, and the detail records shall be filed in such manner as to be readily accessible for examination by representatives of the Interstate Commerce Commission.

1. **Telephone companies divided into four classes.**—For the purposes of the systems of accounts prescribed by the Interstate Commerce Commission telephone companies are divided into four classes, as follows:

Class A. Companies having average annual operating revenues exceeding \$250,000.

Class B. Companies having average annual operating revenues exceeding \$50,000, but not more than \$250,000.

Class C. Companies having average annual operating revenues exceeding \$10,000, but not more than \$50,000.

Class D. Companies having average annual operating revenues of \$10,000 or less.

The system of accounts contained herein applies to Class C companies and shall be observed by all Class C companies (as defined above) that are subject to the Act to Regulate Commerce. Class C companies which desire more detailed accounting may subdivide the accounts prescribed herein, or they may adopt in whole or in part the classifications prescribed for Class A or for Class B companies. The classifications for Class A and Class B companies are contained in a separate publication.

No detailed classifications of accounts are at present prescribed for Class D companies.

2. **Classifications of accounts.**—The system prescribed herein for Class C companies contains the following general classifications of accounts:

- (a) Balance-sheet accounts.
- (b) Plant and equipment accounts.
- (c) Income accounts.
- (d) Operating revenue accounts.
- (e) Operating expense accounts.

3. **Separation of exchange and toll systems.**—If a company operates two or more exchange systems or toll systems the accounts for the plant and equipment, operating revenues, and operating expenses shall be kept in such manner as will indicate the items which pertain solely to any one exchange system or any one toll system. The items pertaining to two or more systems shall be designated as *common*. It is not required that the companies keep separate sets of accounts for each exchange or toll system, although this may be done if desired. It is only necessary that the items be noted to indicate the exchange or toll system to which they pertain, or be noted *common* to show that they are applicable to the entire property.

By an *exchange system* is meant the property devoted to telephone service within the area referred to and usually described in contracts with subscribers as that within which local service is furnished at rates specified in such contracts. An exchange system may include one or more central offices.

By a *toll system* is meant the property devoted to the operation of long-distance or toll lines which connect different exchange systems where a charge is made for the use of such lines separate and apart from the charge for exchange service. Usually a company would have one toll system only.

4. **Balance sheet defined.**—The balance sheet is a statement of the assets, liabilities, and surplus or deficit of a business at a given time. It contains a statement of the ledger balances after the accounts covering the revenues, expenses, and other income items have been closed into "Surplus."

5. **Plant and equipment accounts defined.**—The *plant and equipment accounts*, sometimes termed *fixed capital* or *construction* accounts, are the accounts which show the investment in property, both tangible and intangible, used in the telephone operations and in operations incident thereto. Ten primary plant and equipment accounts (Nos. 200 to 290) are provided. The investment in plant and equipment shall be distributed over these accounts in accordance with the texts of the accounts.

6. **Income accounts defined.**—The *income accounts* are the accounts which show the amounts of money that the company has received or becomes entitled to receive for services rendered during a given period, the return accruing during the period upon investments, and the disbursements and obligations incurred that affect the disposition of the amounts so received or accrued.

The balances in these accounts shall be drawn together annually in a ledger account or in a statement form which will give the net income (or net loss) for the year. This balance shall then be transferred to the account "Surplus," which shows the accumulated undivided profits (or deficit) of the company.

7. **Operating revenues defined.**—By *operating revenues* are meant all moneys which the company receives or becomes entitled to receive for telephone service and for services incident thereto. Credits to the revenue accounts shall be based upon the gross charges made for the service rendered by the company. The totals of the primary operating revenue accounts shall be transferred annually to the Income Account under title of account No. 300, "Telephone operating revenues."

8. **Operating expenses defined.**—By *operating expenses* are meant the expenses of maintaining the property devoted to telephone operations, the expenses of conducting the telephone operations and services incident thereto, the expenses of collecting revenues and of accounting, and the general and supervisory expenses in connection with the foregoing. The totals of the primary operating expense accounts shall be transferred annually to the Income Account under title of account No. 330, "Telephone operating expenses."

9. **Cost of plant and equipment.**—The term *cost* as used in the plant and equipment (construction) accounts means the actual cost in money of labor and materials used in construction, the actual cost in money of property acquired after construction, or, if the consideration given is other than money, the actual money value of such other consideration at the time of the purchase. *Cost of labor* includes not only wages, salaries, and fees paid employees, but also personal expenses of such employees when borne by the company. *Cost of materials and supplies* consumed in construction is their cost at the places where they enter into construction, including cost of transportation and inspection.

If officers and employees of an operating company are specially assigned to construction work, an equitable proportion of their salaries and expenses shall be charged to Plant and Equipment. No charges, however, shall be made to plant and equipment

accounts for merely incidental services of officers and employees whose time is regularly devoted to the operation and maintenance of the plant.

10. **Plant and equipment in service January 1, 1915.**—The cost or ledger value of plant and equipment on hand January 1, 1915, shall be charged to primary plant and equipment accounts Nos. 200 to 270, if such distribution can be accurately made. If not possible to make such distribution, the entire cost or ledger value, or that portion which can not be distributed, shall be charged to account No. 290, "Plant and equipment in service January 1, 1915," until such time as the distribution may be possible.

11. **New construction.**—When any new plant and equipment is constructed or otherwise acquired, the cost thereof shall be charged to the various primary plant and equipment accounts (Nos. 200 to 280) in accordance with the text of the accounts.

12. **Reconstruction.**—*Reconstruction* (or extraordinary repairs) includes the following:

- (a) Restoring to an efficient or proper condition buildings, structures, or other units of property which have deteriorated.
- (b) Substituting, in order to maintain normal efficiency, new parts for old parts of continuous structures, such as pole lines, cables, wires, and conduits.
- (c) Restoring the condition of property damaged by storm, flood, fire, or other casualty.
- (d) Recovering salvage and removing retired or abandoned property in connection with above-mentioned work.

Reconstruction should be taken into consideration in arriving at a rate of depreciation as explained in section 16. Care should be taken to see that ordinary current repairs as defined in section 14 are not handled as reconstruction.

When plant and equipment is reconstructed and the property as reconstructed is of no greater use or capacity than was the original property the cost of reconstruction shall be treated as follows:

**DEBIT—**

To account No. 185, "Depreciation reserve," the amount carried therein with respect to such property.

To account No. 135, "Materials and supplies," the value of salvage recovered from original property.

To accounts for operating expenses (Nos. 600, 610, or 640), the remainder of the cost of reconstruction.

**CREDIT—**

To account No. 115, "Cash," or to other appropriate accounts, the cost of reconstruction.

If the property as reconstructed is more useful or of greater capacity than was the original property the cost of reconstruction shall be treated as follows:

**DEBIT—**

To accounts for plant and equipment (Nos. 200 to 270), the excess cost of the property as reconstructed over the cost or ledger value of the original property.

To account No. 185, "Depreciation reserve," the amount carried therein with respect to the property reconstructed.

To account No. 135, "Materials and supplies," the value of salvage recovered from original property.

To accounts for operating expenses (Nos. 600, 610, or 640), the remainder of the cost of reconstruction.

**CREDIT—**

To account No. 115, "Cash," or other appropriate accounts, the cost of reconstruction.

When it is necessary substantially to reconstruct or to replace a major portion of any unit of property or any important section of a continuous structure, the cost shall be handled through the plant and equipment accounts; that is, the cost of the property removed or replaced shall be credited to the appropriate plant and equipment accounts and the new property shall be charged thereto. (See section 13, following.)



13. **Plant and equipment retired.**—When any plant and equipment is destroyed, withdrawn, or otherwise retired from service for any cause, the cost or ledger value of the property retired shall be written off as follows:

**DEBIT—**

To account No. 185, "Depreciation reserve," the amount carried therein with respect to the property retired.

To account No. 135, "Materials and supplies," the value of salvage recovered from property.

To account No. 640, "Other maintenance expenses," the remainder of the cost or ledger value of property and the expense of retirement. In case an important piece of property or a considerable length of line is destroyed, withdrawn, or otherwise retired and not replaced by other property, the charge for the remainder of the cost or ledger value and the expense of retirement shall be made to account No. 195, "Surplus," instead of account No. 640, "Other maintenance expenses."

**CREDIT—**

To accounts for plant and equipment (Nos. 200 to 290), the amounts theretofore charged to such accounts with respect to such property.

The cost of the property, if any, installed in place of that withdrawn shall be charged to plant and equipment accounts (Nos. 200 to 290).

14. **Repairs.**—The term *repairs* as used in the texts of accounts Nos. 600, 610, and 640 includes the following:

(a) Testing for, locating, and clearing crosses, breaks, grounds, and other line troubles, including routine work intended to prevent such troubles, as, for example, pulling up slack, tightening guys, and resetting guy stubs, trimming trees, straightening poles and cross arms, and cleaning and adjusting apparatus;

(b) Replacement of minor or short-lived parts of structures, equipment, or facilities;

(c) Replacement of minor parts of wire plant or equipment when made necessary by faulty adjustments, excessive strains, mechanical injuries, or other minor casualties;

(d) Rearrangement and changes in location of plant (except subscribers' station equipment, for which a special account is provided), including rearrangement of circuits, reassociation of party lines, rearranging grouping of trunks and calling circuits, recross connecting on distributing frames, rerunning jumper wires, underlining switchboard jacks, etc., together with materials used for such purposes which do not add to the tangible value of such plant;

(e) Recovering salvage and removing retired or abandoned property (except subscribers' station equipment) in connection with the above work.

Such repairs are not intended to be taken into account in fixing a rate of depreciation.

15. **Cost of repairs.**—The term *cost of repairs*, as used in the texts of the various operating expense accounts, should be understood to include the wages, salaries, and fees paid employees directly engaged in the work of repairs, the personal expenses of such employees when borne by the company, the cost (including transportation) of materials and supplies consumed, and the expense of facilities employed in making the repairs, less the value of any salvage recovered. It includes also the cost of direct supervision, such as by foremen or superintendents of repair gangs, but does not include the salaries and expenses of general officers of the company.

16. **Depreciation.**—Depreciation is the decline in value of tangible property and is one of the losses of the company properly chargeable to Operating Expenses. There is certain wear and tear taking place in the property which can not be covered by current repairs, and in addition the property is likely to become obsolete or inadequate so that at some future date it must be discarded for that reason and replaced. In order to provide for the expense when the property is taken out of service or replaced, charges should be made to Operating Expenses to provide a reserve for such purpose. If this is not done the expense of replacing must be charged in bulk to Operating Expenses when the property is replaced, which would cause the company to show low operating expense in years when no reconstruction takes place and high

operating expense in years when reconstruction is performed. By providing depreciation charges the operating expense accounts will show a record of expenses from year to year more in harmony with true conditions.

The expense of depreciation may consist of—

(a) Losses suffered through current lessening in value from wear and tear and not covered by current repairs; for example, a switchboard may be kept in workable condition by current repairs, but at some future date it may be in such condition that replacement is necessary.

(b) Obsolescence or inadequacy resulting from age, new inventions, or public requirements; for example, substituting common battery for magneto system, automatic for manual system, or underground for overhead construction.

(c) Losses suffered through storms, floods, and other casualties.

Charges for depreciation should be based on a rule that will evenly distribute over Operating Expenses during the life of the property the original cost (less the salvage). The Commission at present does not prescribe the rate of depreciation, but leaves this matter to the discretion of the company.

The amounts estimated to cover depreciation shall be charged to operating expense account No. 630, "Depreciation of plant and equipment," and credited to balance-sheet account No. 185, "Depreciation reserve," against which shall be charged, to the extent that such charges are covered by the reserve, the expense of reconstruction or the cost or ledger value of property when retired. (See sections 12 and 13, pages 11 and 12.)

It is not required that a special fund be created by setting aside cash or other assets out of the general funds of the company for the purpose of meeting the necessary expenditures to restore the property when reconstruction becomes necessary. However, this may be done if desired, in which case the fund so created shall be carried in account No. 140, "Special funds."

## LIST OF ACCOUNTS

For Class C Companies.

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## TEXT OF BALANCE SHEET ACCOUNTS.

For Class C Companies.

## ASSET SIDE.

## 100. PLANT AND EQUIPMENT.

This account shall include the cost of all property, tangible and intangible, used by the company in its telephone operations and operations incident thereto, at the date of the balance sheet.

NOTE.—Separate ledger accounts shall be provided for each of the primary plant and equipment accounts (Nos. 200 to 290), and the totals of the balances of such accounts shall be carried to account No. 100 when the balance sheet is prepared.

## 105. OTHER PROPERTY.

This account shall include the cost of property used otherwise than in telephone operations, such as lighting, water, power, or manufacturing plants; the cost of lands and buildings not used in any of the company's operations; and similar investments.

## 110. SECURITIES.

This account shall include the cost or ledger value of stocks, bonds, mortgages, and other evidences of indebtedness (including notes due and payable after one year from date of issue) held by or for the company.

In stating this account on the balance-sheet statement the par value of securities issued or assumed by the company and carried in this account shall be deducted, in order that this account shall show only the cost or ledger value of securities of other companies.

## 115. CASH.

This account shall include the amount of cash and other current funds on hand or on deposit in banks or with trust companies. This account shall also include special deposits of cash for payment of dividends or interest, or for other purposes.

## 120. NOTES RECEIVABLE.

This account shall include the cost or ledger value of all notes, drafts, and other evidences of money receivable on demand or within one year from date of issue.

## 125. DUE FROM SUBSCRIBERS AND AGENTS.

This account shall include amounts owing to the company by subscribers and patrons for services rendered or billed; also amounts due from agents and others authorized to collect operating revenues.

## 130. ACCOUNTS RECEIVABLE.

This account shall include the amounts owing to the company by corporations, firms, or individuals for miscellaneous bills (other than those covering telephone and incidental services); amounts advanced to employees for working funds; dividends declared by others, but not collected; interest due and collectible on securities, mortgages, accounts, and deposits; and other items of amounts collectible.

## 135. MATERIALS AND SUPPLIES.

This account shall include the balances representing the cost of materials and supplies on hand.

Charge this account with the cost of materials and supplies purchased, including transportation charges. Charge also to this account the salvage value of materials and supplies recovered from plant retired and returned to stores.

Credit this account with the value of materials and supplies when used or disposed of otherwise.

NOTE.—When materials and supplies are purchased for immediate use, they need not be carried through this account, but may be charged directly to Plant and Equipment, Operating Expenses, or other accounts affected.

#### 140. SPECIAL FUNDS.

This account shall include the amount of cash, the cost or ledger value of securities, and other assets which have been set apart and are held in depreciation funds, sinking funds, insurance funds, and other funds held for specific purposes.

In stating this account on the balance-sheet statement the par value of securities issued or assumed by the company and carried in this account shall be deducted in order to show only the net assets in the funds other than the company's own securities.

#### 145. PREPAYMENTS.

Charge this account with the amount of rents, taxes, insurance, directory expenses, and like disbursements made in advance of the period to which they apply. As the periods covered by such prepayments expire, credit this account and charge the proper operating expense or other accounts with the amount applicable to the period.

#### 150. OTHER DEBIT ACCOUNTS.

This account shall include all debits pertaining to the balance sheet and not provided for elsewhere, including debit items, the final disposition of which is uncertain. This account shall include such items as accrued income not due, discounts on capital stock, discounts on bonds, and similar items.

NOTE.—The entries in this account shall be made in sufficient detail to permit an analysis in the reports to the Interstate Commerce Commission and where necessary separate subaccounts shall be provided.

#### LIABILITY SIDE.

#### 160. CAPITAL STOCK.

This account shall include the total par value of outstanding capital stock. In case of the issue of two or more classes of capital stock, such as common and preferred, a subaccount shall be provided for each class. If capital stock is paid for in installments, stock to be issued when fully paid, a subaccount entitled "Installments on capital stock" shall be provided, to which shall be credited the amounts of installments received by the company; when stock certificates are issued to stockholders the subaccount shall be charged and the appropriate capital stock subaccount shall be credited.

In stating this account on the balance-sheet statement the par value of stock held by the company in its treasury, in sinking or other reserve funds, or otherwise, shall be deducted, in order that this account shall show only the par value of stock held by the public.

NOTE.—If the telephone company is not incorporated but is operated by an individual, firm, copartnership, or association, accounts No. 160, "Capital stock," and No. 195, "Surplus" shall be omitted, and in lieu thereof an account entitled "Proprietor's account" shall be substituted.

#### 165. FUNDED DEBT.

This account shall include the par value of all bonds, notes, mortgages, receiver's certificates, and other evidences of indebtedness issued or assumed by the company and which are not due and payable until after one year from date of issue. In case of the issuance of two or more classes of funded debt a subaccount shall be provided for each class.

In stating this account on the balance-sheet statement the par value of funded debt issued or assumed by the company and held by it in its treasury, in sinking or other reserve funds, or otherwise, shall be deducted, in order that this account shall show only the par value of funded debt held by the public.

#### 170. NOTES PAYABLE.

This account shall include the par value of all notes, drafts, and other evidences of indebtedness issued or assumed by the company, and which are payable on demand or within one year from date of issue.

#### 175. ACCOUNTS PAYABLE.

This account shall include amounts owing to other companies, firms, and individuals and not includible in accounts Nos. 165 and 170. This account shall include miscellaneous bills unpaid, audited vouchers unpaid, dividends declared and unpaid, interest due and unpaid, and similar items.

#### 180. ACCRUED LIABILITIES NOT DUE.

Credit to this account the amounts of taxes, interest, rents, and other expenses which have accrued and have been charged to operating expense or other accounts in excess of the amounts actually paid. When the payments become due this account shall be charged and the cash or other accounts affected shall be credited.

#### 185. DEPRECIATION RESERVE.

Credit to this account the amounts which are charged monthly or annually to operating expense account No. 630, "Depreciation of plant and equipment," to cover the depreciation taking place in plant and equipment.

Charge to this account, when any plant or equipment is reconstructed or retired, the amount heretofore credited to this account in respect of the property reconstructed or retired. (See sections 12 and 13, pages 11 and 12.)

#### 190. OTHER CREDIT ACCOUNTS.

This account shall include all credit items pertaining to the balance sheet and not provided for elsewhere, including credit items the final disposition of which is uncertain. This account shall include such items as subscribers' deposits, service billed in advance, premiums on capital stock, premiums on bonds, and reserves other than the depreciation reserve.

NOTE.—The entries in this account shall be made in sufficient detail to permit an analysis in the reports to the Interstate Commerce Commission and where necessary separate subaccounts shall be provided.

#### 195. SURPLUS.

Under this head on the balance-sheet statement shall be shown the balance in the surplus account. In case this account shows a debit balance it shall be shown on the balance sheet in red ink. The surplus account is the difference between the total assets and total liabilities and shows the undivided surplus or the deficit of the company.

The net income (or loss) for the year as shown by the Income Account shall be transferred to this account. This account shall also be credited or charged with any adjustments affecting the asset and liability accounts and any miscellaneous gains or losses which are not attributable to the operations for the year as shown by the Income Account.

The entries to this account shall be shown in such detail as will clearly explain their purposes and show all significant facts involved.

NOTE.—If the telephone company is not incorporated but is operated by an individual, firm, copartnership, or association, accounts No. 160, "Capital stock," and No. 195, "Surplus," shall be omitted, and in lieu thereof an account entitled "Proprietor's account" shall be substituted.

## TEXT OF PLANT AND EQUIPMENT ACCOUNTS.

For Class C Companies.

GENERAL NOTE APPLICABLE TO ALL PLANT AND EQUIPMENT ACCOUNTS.—Articles of small value or of short life, or articles that are likely to be lost or stolen, shall not be charged to the plant and equipment accounts but shall be charged to the appropriate operating expense accounts.

### 200. INTANGIBLES.

Charge to this account the expense of organizing the company, the cost of franchises and patent rights, and the cost of other intangibles obtained by the company and used or useful in the operations of the company.

### 210. LAND AND BUILDINGS.

Charge to this account the cost of land (other than right of way) and buildings used in telephone operations and operations incident thereto, and the cost of all permanent fixtures to such buildings.

### 220. CENTRAL OFFICE EQUIPMENT.

Charge to this account the cost of local and toll switchboards and appurtenances, main and intermediate frames, relay and coil racks, interior wires and cables, power apparatus, telephone sets used in the operating and terminal rooms, and other apparatus in the operating and terminal rooms; also the cost of furniture and fixtures in the operating and terminal rooms.

### 230. STATION EQUIPMENT.

Charge to this account the cost of equipment and apparatus on the premises of subscribers, patrons, and others.

This account shall include telephone sets, private branch exchanges, booths and fixtures, inside wiring, and other apparatus, and the cost of installation.

This account shall include the cost of telephone sets used by company's employees, other than those in the operating and terminal rooms of central offices.

### 240. EXCHANGE LINES.

Charge to this account the cost of wire plant between the central office and the premises of subscribers, between central offices and pay stations, and between two central offices in the same exchange area.

This account shall include the cost of right of way, poles, underground conduits, manholes, wires, cables, and fixtures.

NOTE.—If lines are used for both exchange and toll service, the cost shall be charged to either account No. 240 or account No. 250, according to the principal use made of the lines.

### 250. TOLL LINES.

Charge to this account the cost of wire plant used in the transmission of toll messages between offices in different exchange areas.

This account shall include the cost of right of way, poles, underground conduits, manholes, wires, cables, and fixtures.

NOTE.—If lines are used for both exchange and toll service, the cost shall be charged to either account No. 240 or account No. 250, according to the principal use made of the lines.



## 260. GENERAL EQUIPMENT.

Charge to this account the cost of automobiles, wagons, horses, shop machinery, tools and implements, office furniture and fixtures (other than in operating rooms and terminal rooms), and other equipment of the company not covered by accounts Nos. 220 and 230.

## 270. UNDISTRIBUTED CONSTRUCTION EXPENDITURES.

Charge to this account expenditures made in the construction or acquisition of plant and equipment when such expenditures can not be assigned to any of the accounts Nos. 200 to 260.

This account includes expenditures made during the construction period for engineering and law expenses, taxes, insurance, interest, and other incidental construction items which can not properly be charged to any other plant and equipment account. When any such expenditure can be assigned to any specific item of plant or equipment it shall be charged to the account appropriate for such specific item.

## 280. PLANT AND EQUIPMENT PURCHASED.

When a going or completed telephone plant is purchased or constructed under contract, the cost thereof shall be charged to this account until such time as a basis may be determined upon for distribution of the cost over accounts Nos. 200 to 270.

## 290. PLANT AND EQUIPMENT IN SERVICE JANUARY 1, 1915.

To this account shall be charged the amounts carried in the company's books on January 1, 1915, representing the plant and equipment installed prior to and in service on that date, until such time as it is possible to distribute such amounts over accounts Nos. 200 to 270.

## TEXT OF INCOME ACCOUNTS.

For Class C Companies.

## 300. TELEPHONE OPERATING REVENUES.

This account shall include the total operating revenues derived from the telephone operations for the year. To this account shall be credited the total of amounts carried in the primary operating revenue accounts (Nos. 500 to 540).

## 310. OTHER OPERATING REVENUES.

If the company conducts operations other than telephone operations, such as lighting, water, power, or manufacturing plants, the revenues accruing from such operations shall be credited to this account. This account includes the revenues from property the investment in which is carried in account No. 105, "Other property."

## 320. MISCELLANEOUS INCOME.

Credit to this account all revenues accruing to the company other than those obtained through telephone or other operations. This account shall include—

Interest receivable from others on mortgages, bonds, notes, etc.

Dividends receivable from other companies on securities owned.

Rents receivable from plant leased to others and not used in part by the company in its telephone operations, such as an entire exchange system, an important section of pole lines, etc.

Other similar items of income.

Charge to this account any expenses incurred that are directly assignable to the revenues which are credited to this account, such as expense of maintenance of plant leased to others, expense of procuring interest and dividends, and similar charges.

## 330. TELEPHONE OPERATING EXPENSES.

This account shall include the total operating expenses of the telephone operations for the year. To this account shall be charged the total amounts carried in the primary operating expense accounts (Nos. 600 to 680).

## 340. OTHER OPERATING EXPENSES.

If the company conducts operations other than telephone operations, such as lighting, water, power, or manufacturing plants, the expense of maintenance and operation shall be charged to this account. This account includes the expenses of and taxes on property the investment in which is carried in account No. 105, "Other property."

## 350. TAXES.

Charge this account with the amount of all taxes assessed against the telephone property, operations, or privileges of the company. Taxes paid in advance of the period to which they apply shall be charged to account No. 145, "Prepayments," and as the term expires for which the taxes apply this account shall be charged and account No. 145 shall be credited.

Taxes accrued in advance of their actual payment shall be charged to this account and credited to account No. 180, "Accrued liabilities not due." When payments become due the latter account shall be charged and the cash or other accounts affected shall be credited.

## 360. INTEREST ACCRUED.

Charge to this account interest on bonds, mortgages, notes, and other interest-bearing obligations, and interest on open accounts. No interest shall be charged on securities issued or assumed by the company and held by or for it.

## 370. MISCELLANEOUS CHARGES TO INCOME.

Charge to this account all expenses accrued or payments made which apply to the transactions of the year and which are not chargeable to Operating Expenses or to the preceding income debit accounts. This account shall include—

Rents payable for plant and equipment leased, such as an entire exchange system, an important section of pole lines, etc., but not including minor rents which are provided for in account No. 680.  
Losses not properly chargeable as operating expense.  
Uncollectible bills.  
Other similar items.

## 380. DIVIDENDS DECLARED.

Charge this account with the amounts of dividends declared on outstanding capital stock of the company. If a dividend is payable in anything other than money, such thing shall be fully described in the entry. No dividends shall be charged on capital stock issued by the company and held by or for it.

## TEXT OF OPERATING REVENUE ACCOUNTS.

For Class C Companies.

## 500. EXCHANGE REVENUES.

Credit to this account all revenues accrued from the transmission of local messages within the same exchange area. An *exchange area* is the area referred to and usually described in contracts with subscribers as that within which local service is furnished at rates specified in such contracts. This account shall include—

Rentals from subscribers for local and rural service.  
Rentals from private branch exchanges.  
Charges for extension stations and extension bells.  
Charges for extra mileage in circuits to subscribers' stations.  
Charges for extra directory insertions.  
Installation and cancellation charges when billed against subscribers.  
Revenues from public pay stations for calls within the exchange area.  
Charges for switching calls for farmer lines.  
Rents from attachments to exchange poles, and other rents for exchange property.  
Other revenues accruing from exchange operations.

Charge to this account discounts allowed to subscribers for prompt payment, corrections of overcharges, authorized refunds on account of failures in transmission, and other corrections affecting exchange revenues.

## 510. TOLL REVENUES.

Credit to this account all revenues derived from the transmission of messages between points in different exchange areas. This account shall include—

Revenues from messages transmitted wholly over the company's lines between points in different exchange areas, whether from subscribers or pay stations.  
Company's proportion of revenues on messages transmitted partly over the company's lines and partly over lines of other companies (sometimes termed *mileage*).  
Commissions allowed the company by others for switching or handling toll messages within the exchange area or for originating such messages.  
Rents from toll lines leased to brokers or others, including telegraph companies.  
Rents from attachments to toll poles, and other rents from toll property.  
Other revenues accruing from toll-line operations.

Charge to this account corrections of overcharges, authorized refunds on account of failures in transmission, and other corrections affecting toll revenue.

## 520. MISCELLANEOUS REVENUES.

Credit to this account all revenues accrued from telephone operations other than those provided for in accounts No. 500, "Exchange revenues," and No. 510, "Toll revenues." This account shall include—

Revenues from messenger service.  
Revenues from advertisements in directories.  
Charges to telegraph companies for making collections and for other services (not transmission charges).  
Rents from property used in part in the company's telephone operations other than those provided for in accounts Nos. 500 and 510, such as rent of offices, storerooms, and teams.  
Profit on sales of materials and supplies.  
Other miscellaneous operating revenues.

## 530. LICENSEE REVENUES—CR.

When a telephone company grants to another telephone company the use of its patents or furnishes instruments and equipment and general supervision under an agreement for apportioning the revenues of the licensee, the proportion accruing to the licensor shall be credited by the licensor in this account.

## 540. LICENSEE REVENUES—DR.

When a telephone company is granted by another telephone company the use of its patents, or is furnished instruments and equipment and general supervision under an agreement for apportioning the revenues of the licensee, the proportion accruing to the licensor shall be charged by the licensee in this account.

## TEXT OF OPERATING EXPENSE ACCOUNTS.

For Class C Companies.

## 600. REPAIRS OF WIRE PLANT.

Charge to this account the cost of repairs of all exchange wire plant and toll wire plant, such as poles, conduits, manholes, wires, cables, and fixtures. (See section 14, page 12.)

## 610. REPAIRS OF EQUIPMENT.

Charge to this account the cost of repairs of central office equipment and station equipment, whether in the central office operating rooms and terminal rooms or on subscribers' premises, such as switchboards, main and intermediate frames, relay and coil racks, interior wires and cables, power apparatus, telephone sets, private branch exchanges, and booths and fixtures; also furniture and fixtures in central office operating and terminal rooms. (See section 14, page 12.)

## 620. STATION REMOVALS AND CHANGES.

Charge to this account the cost of removing or changing the location of station equipment.

When stations are removed (not merely changed in location) the original cost of the instruments and the cost of installation (estimated if not known) shall be credited to account No. 230, "Station equipment"; the value of the instruments and other material recovered shall be charged to account No. 135, "Materials and supplies"; and the cost of removing, the original installation cost, and any loss of material, such as the cost of interior wire not recovered, shall be charged to this account.

When stations are changed from one location to another, charge this account with the cost of moving. Credit this account with amounts charged to subscribers for moves and changes.

## 630. DEPRECIATION OF PLANT AND EQUIPMENT.

Charge to this account monthly or annually the estimated amount of depreciation accruing in the plant and equipment. (See section 16, page 12.)

## 640. OTHER MAINTENANCE EXPENSES.

Charge to this account the cost of repairs of land, buildings and fixtures, automobiles, wagons, tools and implements, and office furniture and fixtures; also other maintenance expense not provided for in the repair accounts. (See section 14, page 12.)

When any plant or equipment is destroyed, withdrawn, or otherwise retired from service for any cause this account shall be charged with such portion of the cost or ledger value of such property (less salvage) as has not been provided for in account No. 185, "Depreciation reserve." (See section 13, page 12.)

## 650. OPERATORS' WAGES.

Charge to this account the pay of chief operators, supervisors, local and toll switchboard operators, information operators, and all other operators employed in central offices; also pay of operators at pay stations.

## 660. OTHER TRAFFIC EXPENSES.

Charge to this account the cost of power purchased, cost of labor and supplies in operating power plant, cost of renewing batteries, pay and expenses of messengers, and other expenses in connection with the operations of central offices and public pay stations.

## 670. GENERAL OFFICE SALARIES.

Charge to this account the salaries of general officers of the company and the salaries of other officers and employees whose salaries are not chargeable to any of the preceding expense accounts.

## 680. OTHER GENERAL EXPENSES.

Charge to this account all general expenses other than general office salaries. This account shall include the cost of—

- Office supplies and expenses.
- Stationery and printing (including postage).
- Traveling and incidental expenses of general officers and employees of general offices.
- Advertising.
- Preparing, printing, and distributing directories.
- Pay station commissions.
- Rents for general offices and central offices, pole attachments, and other minor rents, not including those paid for lease of entire telephone plants. (See account No. 370.)
- Insurance.
- Law expenses.
- Accidents and damages.
- Other general expenses.

NOTE.—The entries in this account shall be made in sufficient detail to permit an analysis in the reports to the Interstate Commerce Commission.

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General equipment; investment, 260; repair expense, 640.

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General offices; pay of office force, 670; supplies and expenses, 680; traveling and incidental expenses of office force, 680; rents payable for, 680.

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Officers; pay, 670; traveling and incidental expenses, 680.

Offices; furniture and fixtures investment, 260; revenue from rents of, 520; furniture and fixtures repairs, 640; supplies and expenses, 680; rents payable for, 680. (See also Central offices.)

Operating expenses; allocation of items to exchange and toll service, iii; definition, viii; transfer of totals to income, viii; charges prepaid, 145; charges representing accrued liability, 180; charges for minor articles of plant and equipment, general note (p. 21); income debits for expenses, 330, 340; maintenance expense, 600-640; traffic expense, 650, 660; general expense, 670, 680.

Operating revenues; allocation of items to exchange and toll service, iii; definition, vii; transfer of totals to income, vii; due from agents and others, 125; income credits for revenues, 300, 310; message revenue, 500, 510; miscellaneous revenue, 520; licensee revenue, 530, 540.

Operating room equipment; investment, 220; repair expense, 610.

Operators' wages, 650.

Organization expense included in investment, 200.

Other property; asset balances, 105; revenues from, 310; expenses for, 340.

Overcharge corrections, 500, 510.

Patents; costs charged to investment, 200; revenue debits and credits for use by licensees, 530, 540.

Pay; of operating officers and employees assigned to construction, ix; inclusion in cost of repairs, xv; of central office and pay station operators 650; of general and other officers and employees, 670.

Pay stations; revenue from, 500; pay of operators, 650; other traffic expenses, 660; commissions in connection with, 680.

Personal expenses; inclusion in investment cost of labor, ix; inclusion in cost of repairs, xv; assignable to general operating expense, 680.

Plant and equipment; allocation of items to exchange and toll service, iii; definition of accounts, v; definitions of plant and equipment costs, ix; accounting for property in service Jan. 1, 1915, x, 290; charges for new property, xi; accounting for reconstruction, xii; accounting for retirements, xiii; asset balances, 100; exclusion of minor property items, general note (p. 21); distributed expenditures, 200-260; undistributed expenditures, 270; clearing accounts, 280, 290; depreciation charges, 630.

Pole line; reconstruction costs, xii; rent receivable for leased portions, 320; rent payable for leased portions, 370. (See also Lines.)

Poles; repair charges for straightening, xiv; investment, 240, 250; rents receivable from attachments, 500, 510; repair expense, 600; rents payable for attachments, 680.

Postage included in general operating expense, 680.

Power plant (not for telephone operation); investment, 105; revenues, 310; maintenance and operation, 340.

Power plant (telephone operation); power apparatus investment, 220; power apparatus repairs, 610; cost of power purchased, 660; cost of power plant operation, 660.

Preferred stock liability, 160.

Premium on securities sold, liability for, 190.

Prepayments; asset balances, 145; tax charges and credits, 350.

Printing included in general operating expense, 680.

Private branch exchanges; investment, 230; revenue from rentals, 500; repair expense, 610.

Privileges, taxes on, 350.

Profit and loss. (See Surplus account.)

Property. (See Other property, Plant and equipment.)

Proprietor's account in balance sheet, 160 note, 195 note.

Purchased plant and equipment, 280.

Purchased power, cost of, 660.

Racks, relay and coil; investment, 220; repair expense, 610.

Rearrangement of plant, repair charges for, xiv.

Reassociation of party lines, repair charges for, xiv.

Receivers' certificates, liability for, 165.

Reconstruction; definition and accounting, xii; charges against depreciation reserve, xvi, 185; special funds, xvi.

Refunds; of exchange revenues, 500; of toll revenues, 510.

Relay racks; investment, 220; repair expense, 610.

Relocation of plant; inclusion in repair expense, xiv; changes of stations, 620.

Rentals from exchange service, 500.

Rents (payable); asset balances of prepayments, 145; unpaid accrual balances, 180; for plant leased from others, 370; included in operating expense, 680.

Rents (receivable); from plant leased to others, 320; from pole attachments, 500, 510; from exchange property, 500; from toll property, 510; from offices, storerooms, teams, etc., 520.

Repairs; extraordinary repairs classed as reconstruction, xii; accounting for current repairs, xiv; definition of repair costs, xv; wire plant repairs, 600; equipment repairs, 610; repairs of land, buildings, and general equipment, 640.

Replacements; of major or important portions of property, xii; of minor parts, xiv.

Reserve funds; reconstruction funds unrequired, xvi; fund assets, 140.

Reserves; charges to depreciation reserve at reconstruction, xii; charges to depreciation reserve at retirements, xiii; depreciation reserve liability xvi, 185; reserve liability other than for depreciation, 190.



Retired property; cost of removal for reconstruction, xii; accounting for retirement, xiii; cost of removal for repairs, xiv; charges to depreciation reserve, 185; charges to operating expense, 640.  
Revenues. (See Operating revenues.)

Right of way investment; for exchange lines, 240; for toll lines, 250.

Rural service, revenue from, 500.

Salaries. (See Pay.)

Salvage; recovery cost at reconstruction, xii; debits to materials and supplies at reconstruction, xii; debits to materials and supplies at retirements, xiii, 135; recovery cost at repairing, xiv; salvage deduction from cost of repairs, xv.

Securities owned; asset balances for securities owned, 110; interest receivable on, 130; asset balances for securities in special funds, 140; income from securities owned, 320; interest disallowed on company securities owned, 360; dividends disallowed on company stock owned, 380.

Service billed in advance, liability for, 190.

Shop machinery, investment in, 260.

Sinking funds. (See Reserve funds.)

Special deposits, cash balances in, 115.

Special funds; depreciation fund unrequired, xvi; fund assets, 140.

Stationery included in general operating expense, 680.

Stations; investment in station equipment, 230; exchange revenue from, 500; repair expense, 610; removals and changes, 620. (See also Instruments, Telephone sets.)

Stocks; asset balances for stocks owned, 110; stock discount balances, 150; capital stock liability, 160; stock premium balances, 190; dividends receivable on, 320; dividends payable on, 380.

Storerooms, revenue from rent of, 520.

Storm damage, reconstruction charges to cover, xii; depreciation charges for, xvi.

Subscribers; balances due from, 125; liability for deposits of, 190; investment in subscribers' station equipment, 230; revenue from rentals and charges paid by, 500; repairs to subscribers' station equipment, 610.

Superintendents of repair gangs, pay of, xv.

Supervision; inclusion in operating expenses, viii; inclusion in cost of repairs, xv; services covered by licensee agreements, 530, 540; pay of supervisor operators, 650.

Supplies; for power plant operation, 660; for offices, 680. (See also Materials and supplies.)

Surplus account, balances in, 195.

Switchboards; investment, 220; repair expense, 610; wages of operators, 650.

Switching revenues; exchange switching for farmer lines, 500; switching of toll messages, 510.

Taxes; asset balances of prepayments, 145; unpaid accrual balances, 180; taxes assignable to investment, 270; on property not used in telephone operations, 340; on telephone property, operations, and privileges, 350.

Teams, revenue from rent of, 520.

Telegraph companies; rents from lines leased to, 510; charges for collections made for, 520.

Telephone sets; investment in central office sets, 220; investment in station sets, 230; repair expense, 610. (See also Instruments, Stations.)

Terminal room equipment; investment, 220; repair expense, 610.

Testing for troubles, repair charges for, xiv.

Toll lines; investment, 250, 250 note; rents from lease of, 510; repair expense, 600.

Toll systems; allocation of items to, iii; definition of, iii; revenue from, 510.

Tools; investment, 260; repair expense, 640.

Traffic expense, 650, 660.

Transportation costs; inclusion in cost of materials and supplies, ix, 135; inclusion in cost of repairs, xv.

Traveling expenses of general officers and employees, 680.

Tree trimming, repair charges for, xiv.

Troubles, repair charges for correcting, xiv.

Uncollectible bills, income charges for, 370.

Undistributed construction expenditures, 270.

Vouchers audited, liability balances for, 175.

Wages. (See Pay.)

Wagons; investment, 260; repair expense, 640.

Water plants not used in telephone operations; investment, 105; revenues, 310; maintenance and operation, 340.

Wear and tear, depreciation charges for, xvi.

Wire plant; reconstruction costs for, xii; exchange plant investment, 240; toll plant investment, 250; repair expense, 600.

Wires; repair charges for correcting troubles, xiv; repair charges for rearranging, xiv; interior wiring investment, 220, 230; outside wiring investment, 240, 250; repair of outside wiring, 600; repair of interior wiring, 610; interior wire abandoned in removals, 620.

Working fund asset balances, 130.

## APPENDIX.

### BOOKKEEPING SYSTEM.

Suggested for Small Telephone Companies.

The bookkeeping system here described is suggested for the use of small telephone companies. It is offered as an aid in the keeping of a set of books that will meet the accounting needs of such companies, and that, in the case of those companies subject to the jurisdiction of the Interstate Commerce Commission, will comply with the requirements contained in the Uniform System of Accounts prescribed for them by the Commission. The use of this bookkeeping system, in whole or in part, is not obligatory, and companies may adopt, for the present, any other bookkeeping system desired by them if the one chosen will produce the results required by the System of Accounts.

### GENERAL INSTRUCTIONS.

**Double entry.**—The double-entry method should be used in keeping the accounts of a company. The essential principle of double-entry bookkeeping is that for every debit there must be a corresponding credit. Care should be taken to distinguish between debits and credits representing assets and liabilities and those representing revenues and expenses. The former are called balance-sheet accounts, and, taken together, present a statement of the condition of a company's business at any given time. The latter cover the operations of a company and at the end of the year are closed through the income accounts into balance-sheet account No. 195, "Surplus."

### ACCOUNTING FORMS.

**Record forms.**—Printed forms of several kinds are suggested for use in keeping accounting records. The use of each form is explained separately under its proper head and model forms are given with certain entries thereon to indicate further their use. The full list of suggested forms is as follows:

Form 1.—General ledger.	Form 7.—Check.
Form 2.—Subscribers ledger.	Form 8.—Subscriber's bill.
Form 3.—Cash-journal.	Form 9.—Daily work report.
Form 4.—Voucher record.	Form 10.—Payroll.
Form 5.—Voucher.	Form 11.—Stock record.
Form 6.—Subvoucher.	

The copies of the recommended forms, as given herewith in reduced size, show the headings and arrangement of columns. Italic letters to indicate specific columns are inserted to permit reference thereto in the explanatory text, but these letters form no necessary part of the forms.

The forms here described are considered necessary for proper accounting by small companies. It may be desirable to use additional forms or expand the forms here suggested, in order to provide additional information or to meet local conditions. It may be said also that the forms here suggested are intended merely for the accounting needs of the companies, and that other forms will probably be needed to show location and kinds of plant, records of traffic conditions, employees' records, and other statistical information.

**General ledger (Form 1).**—The ledger is a general record in which items are assembled in the respective accounts to which they relate. It presents a summary of all

business transactions classified under appropriate heads. For each debit made to an account in the ledger a corresponding credit should be made to some other account, and for each credit entry a corresponding debit should be made. All entries made in the general ledger should come from the cash-journal.

Ledger accounts should be provided for each of the balance-sheet accounts which may be applicable to the company's business. Where the title and definition of a balance-sheet account clearly indicate that it is a summary of other ledger accounts it is not necessary that a distinct ledger account be provided for the summary. For example, account No. 100, "Plant and equipment," is a summary of accounts Nos. 200 to 290, inclusive; therefore, since ledger accounts are provided for accounts Nos. 200 to 290, it is not necessary to provide on the books an account for No. 100. Ledger accounts should be similarly provided for each of the plant and equipment, income, operating revenue, and operating expense accounts in so far as the business requires.

**Subscribers ledger (Form 2).**—The subscribers ledger is a book of original entry. It should contain a complete record of all revenues accruing from subscribers and other patrons for services, as well as a record of collections made.

When a telephone is installed the information called for by columns *a* to *e* and column *g* should be entered immediately. The revenue due for each month should be entered monthly in columns *i* to *k* and the total extended to column *l*. At the end of the month the columns *i* to *l* should be footed and an entry should be made in the cash-journal to cover (see entry No. 2) the totals of columns *i*, *j*, and *k*. As the collections are made they should be posted in columns *m* and *n*. The total of such collections for each day, or for the period for which settlements are made with collectors, should be covered by an entry in the cash-journal (see entry No. 3).

If any allowances are made on account of failures in service, or for any other lawful reasons, the amount allowed in each case should be entered in column *o*, "Allowances." The total of such allowances for each month should be charged by entry in the cash-journal to the revenue account (No. 500, 510, or 520) to which they relate and credited to account No. 125, "Due from subscribers and agents." (See entry No. 4.)

When service is paid for in advance the full amount of the payment should be entered in column *n*, "Paid—Amount," and the balance applicable to future months should be carried forward in red ink to the next succeeding month in column *p*, "Balance due." If this balance, as brought forward, is more than enough to cover the month's bill, a red-ink entry should be made of the amount due subscriber in column *l*, "Total due," and a like amount carried to column *p* of the next month and so on until the prepayment is exhausted. (See fifth item on Form 2.)

Great care should be exercised in posting the subscribers ledger, and the totals should be drawn off each month and proved. This may be done by taking off the totals as follows:

Debit balance at beginning of month (black-ink entries in column <i>h</i> )	\$26.75
Exchange (column <i>i</i> )	24.00
Tolls (column <i>j</i> )	6.00
Miscellaneous (column <i>k</i> )	1.00
Total	57.75
Less:	
Credit balance at beginning of month (total of red-ink entries in column <i>h</i> )	\$7.00
Amount paid (column <i>n</i> )	32.45
Allowances (column <i>o</i> )	3.25
Total	42.70
Difference	15.05

The difference should equal the difference between the total debits and total credits carried forward in column *p* for the next month.

The form of subscribers ledger is designed for companies assessing and collecting revenues monthly. If revenues are assessed quarterly or by any period other than monthly the ledger may be prepared to fit the particular case.

**Cash-journal (Form 3).**—The cash-journal is a combination of the cash book and the journal and in it are recorded all the transactions which are later posted to the general ledger.

The first three columns (*a*, *b*, and *c*) are intended for debits and the last three columns (*d*, *e*, and *f*) are intended for credits. Following the principle of double-entry bookkeeping, for each debit entered in any one or all of the first three columns there should be an equal credit entry in any one or all of the last three columns.

In column *a*, "Cash," should be entered the amount of all cash received. This may be done for each item of cash received, or, if a proper supplementary record is kept, it may be posted by totals. For example, if the collections as received are posted in the subscribers ledger, the collections for the day, or other period for which settlement is made with collector, may be posted in one entry in the cash-journal.

In column *b*, "Accounts payable," should be entered the amounts of checks issued in payment of vouchers, a corresponding credit entry being made in column *f*, "Cash." Such items may be entered individually or by days or other periods.

In column *c*, "Sundries," should be entered all other debits. This will include the debit side of adjusting entries, and other entries not covered by cash or vouchers, such as depreciation charges, accruals of taxes, accruals of interest, etc.

The column marked ✓ is the posting column. In it should be entered the number of the page in the general ledger in which the item is posted, or a check mark should be made to show that nothing has been omitted, as in the case of posting from totals of columns *a*, *b*, *e*, and *f*. In column headed "Particulars" should be entered sufficient detail to explain fully every transaction.

In column *d*, "Sundries," should be entered all credits excepting those provided for by columns *e* and *f*. In the usual cases these entries will be the corresponding credits for the debits entered in column *c*.

In column *e*, "Due from subscribers and agents," should be entered all amounts collected on accounts carried in the subscribers ledger (Form 2), corresponding debits being entered in column *a*, "Cash." These items may be entered individually, but it is preferable that they be entered daily or for some other period. For the purpose of accounting for the collections by days or other periods, stubs to the subscribers' bills or daily or periodical statements of collections may be used.

The items in columns *c* and *d*, "Sundries," should be posted individually to the debit or credit of the general ledger accounts affected. They may be posted from time to time during the month, or at the end of the month.

The totals of columns *a* and *f* should be posted monthly to the debit and credit sides, respectively, of general ledger account No. 115, "Cash." The total of column *b*, "Accounts payable," should be debited monthly to general ledger account No. 175, "Accounts payable." The total of column *e*, "Due from subscribers and agents," should be credited monthly to general ledger account No. 125, "Due from subscribers and agents."

The entries in the cash-journal are to be made daily in the order in which they occur. The cash-journal is to be footed and closed out at the end of each month and started anew at the beginning of the next month.

If the books have not heretofore been kept by the double-entry system and if a more correct record is not at hand an appraisal should be made of all the assets and liabilities, including the plant and equipment. A statement based on the assets and liabilities should be prepared from such appraisals or records obtainable and the difference between the total assets and the total liabilities should be carried to account No. 195,

"Surplus." An opening entry should be made in the cash-journal based on such statement. Entry No. 1 on the cash-journal is given as an example of such an entry.

**Voucher record (Form 4).**—The voucher record is designed for the keeping of a complete record of all obligations incurred and of disbursements made, without the keeping of a separate ledger account with each creditor. It also provides an easy method of making charges to the accounts affected.

All vouchers should be entered on the voucher record in numerical order in the month in which the voucher is made, regardless of whether it is the intention to pay them during the month or at a later date.

The total amount of the voucher should be included in column "Amount of voucher" and distributed over the various columns according to the headings of the columns. Separate columns are provided for the operating expense accounts, the plant and equipment accounts, and other accounts which may be used frequently. A miscellaneous column is provided for entries to accounts which are not often used. The voucher record should be footed monthly and an entry should be made in the cash-journal (see entry No. 5).

As checks are issued in payment of vouchers they should be entered in the voucher record in the column "Paid." As the total of vouchers issued will be posted through the cash-journal to the credit of account No. 175, "Accounts payable," and as the total of the checks issued are debited to the same account, the balance in this account in the general ledger should show, when the postings are made, the amount of vouchers unpaid. A possible exception to the foregoing may be the amounts carried to account No. 175 when the books of the company are opened, for which amounts no vouchers may have been issued (see entry No. 1 on Form 3).

**Voucher (Form 5).**—Vouchers should be made to cover all expenditures of moneys. They should be prepared as soon as purchases are made or expenses are incurred. The voucher should show all the information called for on the form. In the column headed "Particulars" should be entered sufficient detail to explain fully the purpose for which the voucher is issued, excepting that where the original invoice, bill, or other supporting papers give the full information, the explanation on the voucher may be given briefly. On the back of the form, in the space provided for "Distribution," the amount of the voucher should be distributed over the accounts affected, in accordance with the System of Accounts. The printed form shows the accounts frequently used and has blank spaces for filling in with titles of other accounts.

The vouchers should be numbered consecutively, commencing with No. 1 each year, and should be filed in numerical order. The invoices, subvouchers, payrolls, etc., supporting the vouchers should be securely attached to and filed with the vouchers. Each voucher should have attached to it the papers supporting it or should have full information thereon.

It is not necessary that a separate voucher be made for each invoice, etc. If payment covering several invoices, etc., is to be made to a single person or company, the amounts may be combined on one voucher.

**Subvoucher (Form 6).**—This form is provided for taking receipts for moneys paid out in advance of the issuance of the regular voucher. It should be used to record amounts paid by foremen and workmen for meals, team hire, purchase of minor materials and supplies; for amounts paid out by exchange managers, cashiers, et al., from petty cash funds; and like expenditures.

The subvouchers should be accumulated each month and vouchers (Form 5) to cover should be issued in favor of the manager, cashier, foreman, or other employee who paid out the moneys. The subvouchers should be attached to the vouchers as evidence of the purposes for which the moneys have been expended.

**Check (Form 7).**—The check is in the form of the usual commercial bank check. A special form may be adopted but the usual form of check will answer the purpose.

The vouchers are issued and put through the books as soon as any bill or expense accrues. Checks should be issued as the vouchers are paid. A separate check may be issued for each voucher or, when two or more vouchers are issued for the same person, one check may be issued for the total amount of the vouchers. If employees are paid by check, the requisite number of checks may be issued for the one voucher covering the payroll.

An entry covering the checks issued should be made in the cash-journal, charging account No. 175, "Accounts payable," and crediting account No. 115, "Cash." Separate entries may be made for each check, or entries may be made for the totals by days or other periods. (See entry No. 6 on Form 3.)

**Subscriber's bill (Form 8).**—This is a form of bill to be made to subscribers showing charges for exchange, toll, and other services. The subscribers ledger should be first posted and the bills prepared from the subscribers ledger.

The toll charges should be listed on the back of the bill and the total transferred to the space provided on the face of the bill. Messenger service, telegrams, and other charges may be included on the blank line on face of the bill. If desired, separate bills may be provided for exchange and for toll service.

The bill may be provided with a stub to be detached when bill is paid and used for posting, or posting may be made from the collector's or cashier's reports of collections.

**Daily work report (Form 9).**—In order to distribute properly the pay of employees which is chargeable to various accounts and to account properly for materials and supplies used, it is necessary to keep a record of the time devoted to and the materials and supplies used on particular jobs. This is especially desirable when an employee devotes part of his time to construction, the cost of which is chargeable to Plant and Equipment, and part to repair work, which is chargeable to Operating Expenses. Form 9 may be used by a small company employing one man to do practically all the work, or, if desirable, in such cases the time may be distributed on an estimated basis. The daily work reports may be used as a basis for preparing the payrolls and for distributing the pay of employees on the vouchers covering the payrolls. (See payroll, Form 10.)

The materials and supplies shown on the work reports should be tabulated at the end of each month and an entry made in the cash-journal crediting account No. 135, "Materials and supplies," and charging the accounts benefited. (See entry No. 7 on Form 3.)

**Payroll (Form 10).**—The payroll is provided for recording the salaries and wages of all employees, however employed. This form of payroll is provided for companies making payments semimonthly. In case payments are made by other periods the form should be amended to suit the conditions. Vouchers should be prepared to cover the total of the payrolls for each period, and the expense should be distributed to the various accounts on the voucher. The distribution may be made direct from the payroll when practicable, but if the employee's time is split up among various classes of work it will be necessary to prepare the distribution from the daily work reports (Form 9).

If payment is made by check, separate checks should be issued for each employee. If payment is made in cash, the voucher can be drawn in favor of the paymaster or cashier and one check issued in his favor for the entire amount. (See voucher No. 4 on Form 4.)

The employee's receipt for pay may be obtained on the payroll in space provided for that purpose or a separate receipt from each employee may be taken on a subvoucher (Form 6). If the latter plan is adopted, the subvouchers should be filed with the payroll and voucher.

**Stock record (Form 11).**—This form is designed to keep a record of materials and supplies on hand, by quantities and values. A separate record should be kept for each commodity.



When purchases are made they should be recorded under "Received" and the unit cost of each item should be extended in column "Unit cost." When materials and supplies are recovered from plant and returned to stock they should be also entered under "Received" and the value thereof should be shown under "Cost" and "Unit cost." In column "Reference" should be shown the number of the voucher covering the purchase or the record covering the materials and supplies returned to stock.

At the end of each month the materials and supplies used during the month, as shown on the daily work report (Form 9), should be summarized and values based on the unit cost should be assessed for each commodity. The total of each commodity by quantities and value should be entered on Form 11 under "Issued." There should also be entered thereunder the quantities and values of materials and supplies sold or disposed of otherwise.

As the total cost of materials and supplies purchased and those returned to stores is charged to account No. 135, "Materials and supplies," and the total value of materials and supplies used or otherwise disposed of is credited to account No. 135, the balance in account No. 135 should equal the value of the various materials and supplies on hand as shown by the stock record.

#### EXPLANATION OF AND EXAMPLES SHOWING THE TREATMENT OF CERTAIN MATTERS IN THE BOOKS OF THE COMPANY.

**Depreciation.**—Assuming that the ledger value of plant and equipment is \$60,000, and that a rate of depreciation of 8 per cent per annum is determined upon, the annual charge for depreciation would be \$4,800, and the monthly charge one-twelfth or \$400. The following entry should be made monthly on the cash-journal:

630. Depreciation of plant and equipment.....	\$400
To 185. Depreciation reserve.....	400
For one-twelfth of estimated depreciation on plant and equipment at 8 per cent per annum.	

The amounts credited to account No. 185, "Depreciation reserve" should remain in that account until charged out for reconstruction or for retirements of plant and equipment.

**Reconstruction.**—When reconstruction as defined in section 12, page 11, of the System of Accounts is performed, the cost thereof should be charged to account No. 185, "Depreciation reserve," to the extent that provision shall have been made for such expense in previous credits to the reserve.

For example, if an exchange pole line is reconstructed at a cost of \$750, with salvage recovered amounting to \$50, the cost of reconstruction should be charged as follows:

185. Depreciation reserve.....	\$700
135. Materials and supplies.....	50

The charge to the reserve is based on the assumption that depreciation has been set up on the pole line since it was originally installed.

If, however, the depreciation has not been provided for during the entire life of the pole line and it is estimated that the reserve contains \$300 on account of that property, the expense should be distributed as follows:

185. Depreciation reserve.....	\$300
600. Repairs of wire plant.....	400
135. Materials and supplies.....	50

If reconstruction shall not have been provided for by credits to the reserve the entire cost should be charged to the appropriate operating expense account.

**Retirements of plant and equipment.**—Assuming that a switchboard originally installed at a cost of \$1,000 is retired from service, that the old switchboard is sold for

\$150, and that the cost of removing the switchboard is \$20, the entry in the cash-journal should be as follows:

185. Depreciation reserve.....	\$850
130. Accounts receivable (or Cash).....	150
To 220. Central office equipment.....	\$1,000
For switchboard in Rockville central office retired.	

A voucher should be issued covering the cost of removing (\$20) and charged to account No. 185, "Depreciation reserve." The above charges to the reserve are based on the assumption that depreciation shall have been set up on the switchboard since it was originally installed.

If, however, the depreciation has not been provided for during the entire life of the switchboard and it is estimated that the reserve contains \$340 on account of that property, the cash-journal entry should be as follows:

185. Depreciation reserve.....	\$340
640. Other maintenance expenses.....	510
130. Accounts receivable.....	150
To 220. Central office equipment.....	\$1,000

The voucher covering the cost of removing (\$20) should be charged to account No. 640, "Other maintenance expenses."

**Accruals of taxes, interest, rents, etc.**—One of the principal purposes of correct accounting is to spread equitably over a period of time the expenses properly applicable to the whole period, instead of showing the entire amount of the expense in the month or year in which it is paid. This is especially desirable where the accounts are closed each month. In order to take care of such expenses, it is necessary to charge to Operating Expenses each month the proper proportion (estimated, if not known) of such expense, and to carry a corresponding amount in a balance-sheet account until the payment is made. Assuming that the taxes for the year are estimated as \$100, an entry should be made in the cash-journal monthly as follows:

350. Taxes.....	\$8.33
To 180. Accrued liabilities not due.....	\$8.33
To one-twelfth of estimated taxes for the year.	

When the taxes are paid, a voucher should be issued and charge should be made to account No. 180, "Accrued liabilities not due." (See voucher No. 5 on Form 4.)

**Prepayments.**—When payment of expense is made in advance of the period to which it applies, it is necessary that arrangement be made for charging in each month or period the proper proportion. For instance, if an insurance premium amounting to \$240 is paid on a policy running two years into the future, the payment should be treated in the manner following:

When the premium is paid, a voucher should be issued and the whole amount charged to account No. 145, "Prepayments" (see voucher No. 6 on Form 4). Each month an entry should be made in the cash-journal as follows:

680. Other general expenses.....	\$10
145. To Prepayments.....	\$10
For insurance for month of January, 1915.	

At the end of the period the entire amount charged to account No. 145, "Prepayments," under this method will have been credited to that account and charged to the operating expense accounts.

**Petty cash fund.**—It may be necessary at times to make immediate cash payments for sundry accounts prior to the issuance of the regular voucher and check. Such payments may be handled through a petty cash fund. To create such a fund, voucher for whatever amount is considered sufficient should be made in favor of the cashier

or other person who is to make the payments. The amount of this voucher should be charged on the voucher record to account No. 130, "Accounts receivable" (see voucher No. 7 on Form 4), and a subaccount should be opened in the name of the cashier. This account should stand at that amount until it becomes necessary to increase the amount, when an additional voucher should be issued, or to decrease it, when an entry should be made in the cash-journal.

As moneys are paid out by the cashier, receipts should be taken on subvoucher (Form 6) and a voucher should be put through monthly to reimburse the cashier for money disbursed during the month. This method may be used also when funds are advanced to agents, foremen, and others.

**Telephone installations, take-outs, and moves.**—It is important that the investment in plant and equipment as shown by accounts Nos. 200 to 290 be kept at the correct figures. The system of accounts contemplates that when new telephones are installed the cost of the instrument, etc., plus the cost of installation, shall be charged to account No. 230, "Station equipment." When telephones are taken out, the cost of the instrument, plus the cost of original installation, shall be credited to account No. 230, "Station equipment"; and when telephones are moved from one location to another, the cost of moving shall be charged to account No. 620, "Station removals and changes." This will insure the correctness of the plant and equipment accounts, which should include the cost of the telephones in use. When telephones are taken out it may be difficult to ascertain the original installation cost. This cost may be handled on averages, and a simple method of treatment is as follows:

Charge or credit account No. 230, "Station equipment," and credit or charge account No. 135, "Materials and supplies," with the value of all instruments installed or removed (not merely changed in location). Charge account No. 620, "Station removals and changes," with the cost of all installations and take-outs (not including value of instruments), and cost of all moves in location.

At the end of the year make an entry in the cash-journal, charging account No. 230, "Station equipment," and crediting account No. 620, "Station removals and changes," with such portion of the amount charged to account No. 620 during the year as the increase in the number of telephones in service at the end of year bears to the total number of installations, take-outs, and moves during the year.

For example, if during the year there were 200 new telephones installed, 50 taken out, and 100 moved at a total expense of \$1,125, there would be, by counting the moves as two operations—

Installations.....	200 operations.
Take-outs.....	50 operations.
Moves.....	200 operations.
Total.....	450 operations.

The net increase in the number of telephones in use being 150, which is one-third of the total operations, one-third of the total expense, or \$375, should be charged to account No. 230 and credited to account No. 620 by an entry in the cash-journal at the end of the year. The method may be used only when the number of telephones in use increases from one year to the next.



**Form 1.—General Ledger.**

[illegible]

Form 2.—Subscribers Ledger (left page).

HOME TELEPHONE COMPANY.  
SUBSCRIBERS LEDGER.

Account (or tele- phone) number.	Name of subscriber.	Address.	Service.	Date installed.	Date removed.	Rate per month.	January.								February.							
							Bal. due.	Exch.	Toll.	Misc.	Total due.	Paid.		Allow- ances.	Bal. due.	Exch.	Toll.	Misc.	Total due.	Paid.		Allow- ances.
												Date.	Amount.							Date.	Amount.	
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)	(p)	(q)	(r)	(s)	(t)	(u)	(v)	(w)
316			Res.			2.00		2.00			2.00	1/12	2.00									
422			Bus.			2.50	3.50	2.50	.50		6.50	1/4	6.00		.50							
537			Res.			2.00		2.00			2.00			2.00								
693			"			2.00		2.00	.65	.10	2.75			.75	2.00							
782			Bus.			2.50	* 5.00	2.50	1.00		* 1.50				* 1.50							
793			2 Pty.			1.75	4.00	1.75	1.00	.20	6.95	1/25	5.45	.50	1.00							
854			"			1.75	7.00	1.75	.50		9.25	1/6	10.00		* .75							
861			Bus.			2.50	.25	2.50	.60		5.35				5.35							
945			Res.			2.00	* 2.00	2.00														
960			Bus.			2.50	9.00	2.50	.35	.10	11.95	1/15	9.00		2.95							
981			"			2.50	3.00	2.50			5.50				5.50							
Totals							† 19.75	24.00	6.00	1.00	† 30.75		32.45	3.25	† 15.05							

\* Figures in italics indicate entry in red ink.

† The totals of columns *h*, *l*, and *p* are net amounts or differences between the total black ink entries and the total red ink entries in the respective columns.

NOTE.—The above form may be ruled for the left-hand page and cover the months January and February, and the right-hand page (the reverse side of this) may be ruled to cover the months September to December, inclusive, and a short page, three months on each side, inserted to cover the months March to August, inclusive. This arrangement makes it possible to post a year's business without rewriting the names of subscribers.

35819°—14. (To face p. 40.) No. 1

# HOME TELEPHONE COMPANY.

## CASH-JOURNAL.

DEBITS.

MONTH OF JANUARY, 1915.

CREDITS.

Cash.	Accounts payable.	Sundries.	✓	Particulars.	Sundries.	Due from subscribers and agents.	Cash.
(a)	(b)	(c)			(d)	(e)	(f)
				<b>Jan'y 1. (Entry No. 1.)</b> The Home Telephone Company opens these books with the following assets and liabilities: <b>Assets.</b> 290. Plant and equipment in service Jan'y 1, 1915. 115. Cash. 125. Due from subscribers and agents. 135. Materials and supplies. <b>Liabilities.</b> 160. Capital stock. 170. Notes payable. 175. Accounts payable. 195. Surplus.			
		18,000 00					
		450 00					
		300 00					
		500 00					
				<b>(Date) (Entry No. 2.)</b> 125. Due from subscribers and agents. To 500. Exchange revenues. 510. Toll revenues. 520. Miscellaneous revenues. For revenues for month of Jan'y, 1915.			
		31 00					
				<b>(Date) (Entry No. 3.)</b> 115. Cash. To 125. Due from subscribers and agents. For collections of charges for Jan'y, 1915.			
32 45						32 45	
				<b>(Date) (Entry No. 4.)</b> 500. Exchange revenues. 510. Toll revenues. 520. Miscellaneous revenues. To 125. Due from subscribers and agents. For refunds on acct. of failures in service.			
		2 50					
		65					
		10					
				<b>(Date) (Entry No. 5.)</b> 600. Repairs of wire plant. 610. Repairs of equipment. 620. Station removals and changes. 640. Other maint. expenses. 650. Operators' wages. 670. General office salaries. 680. Other general expenses. 135. Materials and supplies. 220. Central office equipment. 230. Station equipment. 240. Exchange lines. 130. Accounts receivable. 145. Prepayments. 180. Accrued liabilities not due. To 175. Accounts payable. For vouchers for month of Jan'y, 1915.			
		21 00					
		20 00					
		10 00					
		5 00					
		35 00					
		75 00					
		20 00					
		25 00					
		15 00					
		20 00					
		11 00					
		50 00					
		240 00					
		100 00					
				<b>(Date) (Entry No. 6.)</b> 175. Accounts payable. To 115. Cash. For cash paid out Jan'y 1 to Jan'y 15 incl., as per check stubs.			
		627 00					627 00
				<b>(Date) (Entry No. 7.)</b> 230. Station equipment. 240. Exchange lines. 600. Repairs of wire plant. 610. Repairs of equipment. To 135. Materials and supplies. For material used from stock during month of January, 1915.			
		20 00					
		15 00					
		10 00					
		15 00					
					60 00		

Form 4.—Voucher Record (left page).

## HOME TELEPHONE COMPANY

Date.	Voucher number.	In favor of—	Issued for—	Paid.		Amount of voucher. Credit acct. 175, Accounts payable.	Operating expenses.								
				Date.	Check No.		600 Repairs of wire plant.	610 Repairs of equipment.	620 Station re- movals and changes.	630 Deprecia- tion of P. and E.	640 Other maint. expenses.	650 Operators' wages.	660 Other traffic expenses.	670 General office salaries.	680 Other general expenses.
Jan. 1	1	Smith Supply Co.	Hardware,	1/15	100	25.00									
1	2	George Brown.	Rent of office.			20.00									
1	3	Edw. Fox.	Hire of teams.	1/15	101	12.00	6.00								20.00
15	4	W. T. Hall, cashier.	Payroll for Jany 1 to 15, inc.	1/15	102	200.00	15.00	20.00	10.00		5.00	35.00		75.00	
15	5	A. T. Johnson.	Taxes for year 1914.	1/15	103	100.00									
15	6	Natl. Fire Ins. Co.	Premium on insurance policy for years 1915 and 1916.	1/15	104	240.00									
15	7	W. T. Hall, cashier.	For working fund.	1/15	105	50.00									
Totals. *						647.00	21.00	20.00	10.00		5.00	35.00		75.00	20.00

35819\*—14. (To face p. 40.) No. 3

\* See entry No. 5 in Form 3.

# VOUCHER RECORD.

Form 4.—Voucher Record (right page).

MONTH OF JANUARY, 1915.

Plant and equipment.									135	185	Miscellaneous.		
200 Intangibles.	210 Land and buildings.	220 Central office equipment.	230 Station equipment.	240 Exchange lines.	250 Toll lines.	260 General equipment.	270 Undistributed con. expd.	280 P. and E. purchased.	Materials and supplies.	Depreciation reserve.	Acct. No.	Account.	Amount.
		15.00	20.00	6.00 5.00					25.00				
											180	Accrued liabilities not due.	100.00
											145	Prepayments.	240.00
											130	Accounts receivable.	50.00
		15.00	20.00	11.00					25.00				390.00

Form 5.—Voucher (face).

HOME TELEPHONE COMPANY.		
VOUCHER.		
IN FAVOR OF .....	VOUCHER No. ....	MONTH OF ..... 191..
ADDRESS .....	PAID BY CHECK No. ....	DATE OF CHECK ..... 191..
Date.	Particulars.	Amount.
<div style="display: flex; justify-content: space-between;"> <div>Correct: .....</div> <div>Approved for payment: .....</div> </div> <div style="display: flex; justify-content: space-between; margin-top: 10px;"> <div>Correct: .....</div> <div></div> </div>		

Form 5.—Voucher (back).

HOME TELEPHONE CO.	
Voucher No. .... Month of ..... 191..	
IN FAVOR OF .....	
Amount. ....	
Distribution.	
Account.	Amount.
<b>OPERATING EXPENSES.</b> 600. Repairs of wire plant 610. Repairs of equipment 620. Station removals and changes 630. Depreciation of plant and equip. 640. Other maint. expenses 650. Operators' wages 660. Other traffic expenses 670. General office salaries 680. Other general expenses	
<b>PLANT AND EQUIPMENT.</b> 200. Intangibles 210. Land and buildings 220. Central office equipment 230. Station equipment 240. Exchange lines 250. Toll lines 260. General equipment 270. Undistributed const'n exp'dr's 280. Plant and equip. purchased	
<b>BALANCE SHEET ACCTS.</b> 105. Other property 110. Securities 135. Materials and supplies 145. Prepayments 150. Other debit accounts 170. Notes payable 180. Accrued liabilities not due 185. Depreciation reserve 190. Other credit accounts	
<b>INCOME ACCOUNTS.</b> 310. Other operating revenues 320. Miscellaneous income 340. Other operating expenses 350. Taxes 360. Interest accrued 370. Miscellaneous chgs. to income 380. Dividends declared	
<b>OPERATING REVENUES.</b> 500. Exchange revenues 510. Toll revenues 520. Miscellaneous revenues 530. Licensee revenues—Cr. 540. Licensee revenues—Dr.	



Form 6.—Subvoucher.

Correct (Signature)..... Auditor, Manager or Foreman. Approved (Signature)..... General Manager.		DISTRIBUTION OF CHARGES.		Amount.		Total.		(Place) ....., (Date) ....., 191..	
		Account.				HOME TELEPHONE COMPANY.		To ..... Dr.	
								Particulars.	
								Amount.	
								Total	
Received of the HOME TELEPHONE COMPANY,									
..... Dollars, in full for above account									
(Date) ..... (Signature) .....									

Form 7.—Check.

No. ....	(City) .....	(State) .....	(Date) .....	191..
FIRST NATIONAL BANK.				
Pay to the order of .....			\$.....	
.....			Dollars.	
For .....				
Countersigned by			HOME TELEPHONE COMPANY.	
.....			By .....	
(Title.)			(Title.)	



## Form 9.—Work Report.

<b>HOME TELEPHONE COMPANY.</b> DAILY WORK REPORT. DATE..... NAME.....			
WORK PERFORMED.			Hours.
MATERIALS.		Taken out.	Returned.
EXPENSES.		Used.	
OTHER MATERIAL RECOVERED AND RETURNED TO STOCK.			

## Form 10.—Payroll.

HOME TELEPHONE COMPANY. PAYROLL FOR ..... ENDING ..... 19...																					
Name	Occupation	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	Total time	Rate	Amount	Check No. *	Received payment
<div style="display: flex; justify-content: space-between;"> <span>Correct</span> <span>Total</span> </div>																					
		Approved (Title) .....		Approved (Title) .....																	

\* This column is to be used if employees are paid by individual check.

## Form 11.—Stock Record.

## HOME TELEPHONE COMPANY.

## STOCK RECORD.

Commodity, .....

## RECEIVED.

Date.	Received from	Ref.	Quantity.	Cost.			Unit cost.
				Invoice.	Fre., etc.	Total.	

## ISSUED.

Date.	Reference.	Quantity.	Value.	Date.	Reference.	Quantity.	Value.

UNIFORM SYSTEM OF ACCOUNTS

FOR

TELEPHONE COMPANIES

AS PRESCRIBED BY THE

INTERSTATE COMMERCE COMMISSION

IN ACCORDANCE WITH SECTION 20 OF THE  
ACT TO REGULATE COMMERCE

FIRST ISSUE

*Effective on January 1, 1913*

WASHINGTON  
1915

SCHOOL OF BUSINESS  
COLUMBIA UNIVERSITY



# UNIFORM SYSTEM OF ACCOUNTS

FOR

## TELEPHONE COMPANIES

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ACT TO REGULATE COMMERCE

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FIRST ISSUE

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*Effective on January 1, 1913*

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WASHINGTON  
1915

# THE INTERSTATE COMMERCE COMMISSION.

CHARLES A. PROUTY, *of Vermont.*  
 JUDSON C. CLEMENTS, *of Georgia.*  
 FRANKLIN K. LANE, *of California.*  
 EDGAR E. CLARK, *of Iowa.*  
 JAMES S. HARLAN, *of Illinois.*  
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 BALTHASAR H. MEYER, *of Wisconsin.*  
 JOHN H. MARBLE, *Secretary.*

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At a General Session of the INTERSTATE COMMERCE COMMISSION, held at its office in Washington, D. C., on the 10th day of December, 1912.

The subject of a Uniform System of Accounts to be prescribed for and kept by telephone companies being under consideration, the following order was entered:

*It is ordered,* That the Uniform System of Accounts for Telephone Companies with the text pertaining thereto, embodied in printed form to be hereafter known as First Issue, a copy of which is now before this Commission, be, and the same is hereby, approved; that a copy thereof duly authenticated by the Secretary of the Commission be filed in its archives, and a second copy thereof, in like manner authenticated, in the office of the Division of Carriers' Accounts; and that each of said copies so authenticated and filed shall be deemed an original record thereof.

*It is further ordered,* That the said Uniform System of Accounts for Telephone Companies with the text pertaining thereto, be, and the same is hereby, prescribed for the use of telephone companies having annual operating revenues exceeding \$50,000, subject to the provisions of the act to regulate commerce as amended, in the keeping and recording of their accounts; that each and every such carrier and each and every receiver or operating trustee of any such carrier be required to keep all accounts in conformity therewith; and that a copy of the said First Issue be sent to each and every such carrier and to each and every receiver or operating trustee of any such carrier.

*It is further ordered,* That any such carrier or any receiver or operating trustee of any such carrier may subdivide any primary account in the said First Issue established (as permitted in the general instructions contained

in the said First Issue); or may make assignment of the amount charged to any such primary account to operating divisions, to its individual lines, or to States: *Provided, however*, That such subprimary accounts set up or such assignments made by any such carrier or by any receiver or operating trustee of any such carrier do not impair the integrity of the accounts hereby prescribed.

*It is further ordered*, That in order that the basis of comparison with previous years be not destroyed, any such carrier or any receiver or operating trustee of any such carrier may, during the twelve months from the time that the said First Issue becomes effective, keep and maintain, in addition to the accounts hereby prescribed, such portion or portions of its present accounts as may be deemed desirable by any such carrier, or by any receiver or operating trustee thereof, for the purpose of such comparison; or, during the same period, may maintain such groupings of the primary accounts hereby prescribed as may be desired for that purpose.

*It is further ordered*, That any such carrier or any receiver or operating trustee of any such carrier, in addition to the accounts hereby prescribed, may unless otherwise ordered, keep any temporary or experimental accounts the purpose of which is to develop the efficiency of operation: *Provided, however*, That such temporary or experimental accounts shall not impair the integrity of any primary account hereby prescribed.

*It is further ordered*, That January 1, 1913, be, and is hereby, fixed as the date on which the said First Issue of the Uniform System of Accounts for Telephone Companies shall become effective.

By the Commission:

JOHN H. MARBLE,  
Secretary.

## INTRODUCTORY LETTER.

INTERSTATE COMMERCE COMMISSION,  
DIVISION OF CARRIERS' ACCOUNTS,  
Washington, December 10, 1912.

### TO TELEPHONE COMPANIES:

This Uniform System of Accounts for Telephone Companies is issued in accordance with an order of the Interstate Commerce Commission, the text of which immediately precedes this letter. The act to regulate commerce, as amended, invests the Commission with authority to prescribe the forms of accounts to be kept by telephone companies subject to the act, and prohibits the use of any accounts other than those prescribed by the Commission. The observance of the rules and regulations stated in this system of accounts therefore becomes obligatory upon persons having direct charge of the accounts of the companies concerned, and such persons will be held responsible for their proper application.

In formulating this system of accounts it has been the endeavor of the Division of Carriers' Accounts to enlist the cooperation of the various telephone companies throughout the United States. For that purpose Accounting Series Circular No. 30, containing a tentative system of accounts, was submitted to all telephone companies of which there was record for criticisms and suggestions, and due consideration was given to all criticisms and suggestions received.

Attention is directed to the fact that this system of accounts applies only to companies having annual operating revenues exceeding \$50,000; that such companies are divided into two classes, according to their earning capacity (see par. 1, p. 9), and that it has been sought

to provide classifications of accounts for each class, adjusted to their respective needs. No system of accounts has yet been prescribed for companies having annual operating revenues of \$50,000 or less.

Accounting officers are invited to correspond with this office should question arise with regard to the correct interpretation of any account or rule herein prescribed, in order that uniformity may be secured in the application of the provisions of the classifications.

CHARLES A. LUTZ,  
Chief Examiner of Accounts.

#### GENERAL INSTRUCTIONS.

1. **Telephone companies divided into two classes.**—For the purpose of this system of accounts, the telephone companies affected by the preceding order are divided into two classes, as follows:

Class A.—Companies having average annual operating revenues <sup>1</sup> exceeding \$250,000.

Class B.—Companies having average annual operating revenues <sup>1</sup> exceeding \$50,000, but not more than \$250,000.

Two schemes of accounts, designed to meet the respective needs of companies of classes A and B, indicated above, are provided. The classifications for the two classes of companies are published jointly, with the titles of the accounts printed in CAPITALS and SMALL CAPITALS, and in *italics*.

Class A companies shall keep all the accounts (so far as they may be applicable to their affairs) the titles of which are printed in CAPITALS and SMALL CAPITALS and also the accounts the titles of which are printed in *italics*, except that where an account shown in CAPITALS and SMALL CAPITALS is subdivided into accounts the titles of which are printed in *italics*, it is not required that the former be kept. Class A companies may further subdivide any of the accounts prescribed herein, provided that such subdivisions do not impair the integrity of any of the accounts prescribed.

Class B companies shall keep all the accounts (so far as they may be applicable to their affairs) the titles of which are printed in CAPITALS and SMALL CAPITALS. Where such accounts are subdivided into accounts the titles of which are printed in *italics*, it is not required that class B companies shall keep separate accounts for the latter. Class B companies may, if they so desire, keep the more extended accounts prescribed for class A companies, or may further subdivide such accounts, provided that such subdivisions do not impair the integrity of any of the accounts prescribed.

2. **Accounts should show fixed capital, operating revenues, and operating expenses pertaining solely to any exchange or toll system or common to two or more systems.**—(a) Telephone companies should keep their fixed capital accounts in such manner as will enable them to show,

<sup>1</sup> In order that frequent changes may be avoided, companies operating established telephone plants may adopt the scheme of accounts indicated by the average of their annual revenues for three years preceding the date of this order. If at the close of any fiscal year the average of the annual revenues for the three preceding years is greater than the amount given for the class in which the company has been put, the higher scheme of accounts should be adopted. New companies should estimate the amount of their annual revenues and adopt the scheme of accounts provided for companies with average annual revenues equal to the amount of the estimate.



when so required by the Commission, (1) the cost of fixed capital devoted solely to any exchange system, (2) the cost of fixed capital devoted solely to any toll system, and (3) the cost of fixed capital used in common by two or more exchange or toll systems.

(b) The Classification of Operating Revenues provides separate accounts for exchange revenue and for toll revenue. Where it is necessary to apportion the revenue between these accounts telephone companies should be prepared, when so required by the Commission, to furnish the basis used in making such apportionment.

(c) Telephone companies should keep their operating expense accounts in such manner as will permit them to show, when so required by the Commission, (1) the operating expenses pertaining solely to any exchange system, (2) the operating expenses pertaining solely to any toll system, and (3) the operating expenses which are common to two or more exchange or toll systems.

## BALANCE-SHEET STATEMENT.

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## INSTRUCTIONS PERTAINING TO BALANCE SHEET.

3. **Balance-sheet accounts.**—By balance-sheet accounts are meant those titles under which the ledger accounts are combined and summarized to show the assets, liabilities, and profit or loss of the business at a given time. Where the title and definition of a balance-sheet account clearly indicate that it is a summary of other accounts, it is not required that a special ledger account shall be raised under such a title to include the balance from the accounts usually carried on the ledger.

4. **Cost or book value of securities owned.**—The term *cost or book value*, as applied to various accounts representing securities owned, is intended to recognize the option of the company of carrying its investments in securities either at cost or at a reasonable valuation other than cost. Whenever securities are acquired they are to be entered on the books at cost. If, subsequently, the company desires to adjust their value on account of substantial appreciation or depreciation, the entries in its books, with respect to such securities, as well as its annual reports to the Commission, should clearly show the reasons for making the adjustments.

5. **Reacquired securities.**—The capital stock and funded debt liability accounts in the balance sheet are intended to include only the par value of such capital stock or funded debt securities as have been actually issued to bona-fide holders for value or such securities as have been issued by other companies and have been assumed by the accounting company and are actually outstanding at the date of the balance-sheet statement.

When capital stock or funded-debt securities have been actually issued to bona-fide holders for value (or after such issue by another company have been assumed by the accounting company) and after such issue (or assumption) have been reacquired by the company under circumstances which require that they shall not be treated as paid or retired, they may be charged at par value to the appropriate asset account, but on the balance-sheet statement they should be shown separately as a deduction from both the asset and liability accounts in order that the asset accounts for securities owned will include only securities of other companies and that the liability accounts for securities issued or assumed will include only those in the hands of the public.

If any such securities are reacquired for more or less than their par value, the difference between the par value and the cost of reacquirement, after adjusting any amounts carried in the discount-and-premium accounts or other accounts with respect to such securities, should be debited or credited to Corporate Surplus or Deficit account, unless reacquired for a sinking or other fund, which is required to be represented by a reserve, in which case the difference should be debited or credited to the appropriate reserve account.

6. **Discount and Premium on Capital Stock.**—Ledger accounts should be provided to cover the discounts and premiums on each class

of capital stock issued or assumed by the company. By *discount* is meant the excess of the par value of stocks issued or assumed over the actual money value of the consideration received for such stock (except stock that has been sold and reacquired); by *premium* is meant the excess of the actual money value of the consideration received for stock issued or assumed over the par value of such stock (except stock that has been sold and reacquired). Entries in these accounts representing discounts should be carried therein until offset, (1) by premiums realized on subsequent sales of the same class of stock, (2) by assessments levied on the stockholders, (3) by appropriations of surplus for that purpose, or (4) by charges to Corporate Surplus or Deficit account upon reacquirement or retirement of the stock. Entries in these accounts representing premiums realized should be carried permanently, unless offset (1) by discounts suffered on sales of the same class of stock or (2) by credits to Corporate Surplus or Deficit account upon reacquirement or retirement of the stock.

If the net of the balances in the discount-and-premium accounts for all classes of capital stock sold or exchanged is a debit balance, the amount should be included in the balance-sheet statement in account No. 134, "Unextinguished Discount on Capital Stock"; if a credit balance, the amount should be shown in account No. 152, "Premiums on Capital Stock."

In no case should discount on capital stock be charged to or included in any account as a part of the cost of acquiring any property, tangible or intangible, or as a part of the cost of operation.

**7. Discount, Expense, and Premium on Funded Debt.**—Ledger accounts should be provided to cover the discount, expense, and premiums on each class of funded debt issued or assumed by the company. By *discount* is meant the excess of the par value of funded-debt securities issued or assumed, and the accrued interest thereon, over the actual cash value of the consideration received for such securities (except securities that have been sold and reacquired); by *premium* is meant the excess of the actual cash value of the consideration received for funded-debt securities issued or assumed over the par value of such securities and the accrued interest thereon (except securities that have been sold and reacquired).

By *expense* is meant all expenses in connection with the issue and sale of evidences of debt, such as fees for drafting mortgages and trust deeds, fees and taxes for recording mortgages and trust deeds, cost of engraving and printing bonds, certificates of indebtedness, and other commercial paper having a life of more than one year; fees paid trustees provided for in mortgages and trust deeds; fees and commissions paid underwriters and brokers for marketing such evidences of debt and other like expense.

If the net balance in any of these accounts is a debit, there should be charged to income account No. 338, "Amortization of Debt Discount and Expense," during each fiscal period (and credited to

the discount and premium accounts in which the discount and expense is carried) such proportion of the discount and expense on the outstanding funded debt obligations as may be applicable to that period. This proportion should be determined according to a rule, the uniform application of which throughout the interval between the date of sale and the date of maturity, will extinguish the discount and expense on the funded debt. The charge to Income for any period shall not exceed the proportion applicable to that period, and a charge should be made for each period so long as any portion of the discount and expense remains unextinguished. In order that the discount and expense may be extinguished sooner, the company may, at its option, charge to Corporate Surplus or Deficit account all or any portion of the discount and expense on funded debt remaining at any time unextinguished.

If the net balance in any of these accounts is a credit there should be credited to income account No. 339, "Release of Premiums on Debt—Cr.," during each fiscal period (and debited to the discount and premium accounts in which the premium is carried) such proportion of the premium on outstanding funded debt obligations as may be applicable to that period. This proportion should be determined according to a rule, the uniform application of which throughout the interval between the date of sale and the date of maturity of the debt, will extinguish the premium at which such debt was sold.

If the net of the balances in the discount and premium accounts for all classes of funded debt sold or exchanged is a debit balance, the amount should be included in account No. 135, "Unamortized Debt Discount and Expense;" if a credit balance, the amount should be included in account No. 168, "Unextinguished Premium on Debt."

Except as provided in section 11, page 33, no discount and expense on funded debt should be charged to or included in any account as a part of the cost of acquiring any property, tangible or intangible, or as a part of the cost of operation.

**8. Contingent assets and liabilities.**—Contingent assets and liabilities should not be included in the body of the balance-sheet statement, but should be shown in detail in a supplementary statement accompanying the balance-sheet statement. Contingent assets represent possible sources of value contingent upon the fulfillment of conditions regarded as uncertain. Contingent liabilities include items which may, under certain conditions, become obligations of the company, but are neither direct nor assumed obligations on the date of the balance sheet.

## TEXT EXPLANATORY OF BALANCE-SHEET ACCOUNTS.

## ASSET ACCOUNTS.

## PERMANENT AND LONG TERM INVESTMENTS.

100. FIXED CAPITAL INSTALLED PRIOR TO JANUARY 1, 1913.<sup>1</sup>

In this account (on the balance-sheet statement) should be shown the total of the balances in the ledger accounts representing the company's fixed capital, which was installed prior to January 1, 1913, and which is still in service at the date of the balance sheet. (See text of this account on p. 36.)

101. FIXED CAPITAL INSTALLED SINCE DECEMBER 31, 1912.<sup>1</sup>

In this account (on the balance-sheet statement) should be shown the total of the balances in the ledger accounts representing the company's fixed capital which has been installed since December 31, 1912, and which is still in service at the date of the balance sheet. (See text of this account on p. 36.)

102. RESERVE FOR ACCRUED DEPRECIATION—Cr.<sup>1</sup>

Credit to this account such amounts as are concurrently charged to account No. 608, "Depreciation of Plant and Equipment," No. 701, "Shop Expense," No. 702, "Stable and Garage Expense," and No. 703, "Tool Expense," to cover the expense of depreciation of plant, equipment, furniture, tools and implements, as specified in the text of these accounts. This account should also be credited with any amount carried in reserve on January 1, 1913, to cover the expense of depreciation on plant, equipment, furniture, tools and implements installed prior to that date.

Charge to this account the realized depreciation of tangible fixed capital installed since December 31, 1912, when such capital is relinquished, retired, or destroyed, also the amount of depreciation carried herein in respect to tangible fixed capital installed prior to January 1, 1913, when relinquished, retired, or destroyed. (See secs. 14, p. 34, and 23, p. 67.)

Charge also to this account such part of the expenditures for extraordinary repairs as is concurrently credited to account No. 611, "Repairs Charged to Reserves—Cr."

<sup>1</sup> The total of accounts Nos. 100 and 101 should be drawn down on the balance-sheet statement, and the total of accounts Nos. 102 and 103 deducted therefrom, the difference being shown as the net total.

103. RESERVE FOR AMORTIZATION OF INTANGIBLE CAPITAL—Cr.<sup>1</sup>

Credit to this account such amounts as are concurrently charged to account No. 340, "Amortization of Landed Capital," and to account No. 674, "Amortization of Franchises and Patents." Charge to this account when any franchise, patent, or landed capital expires or is relinquished, the amount at which it stood charged in the company's fixed capital accounts or such portion thereof as has been previously credited to this reserve. When any intangible capital acquired prior to the raising of this reserve expires or is relinquished, that portion of its cost which has not been covered by credits to this account or previously written off should be charged to account No. 414, "Amortization Unprovided for Elsewhere."

## 104. CONSTRUCTION WORK IN PROGRESS.

This account should include the amounts expended upon plant that is in process of construction under estimates or work orders, but is not ready for service at the date of the balance sheet. It includes interest charged to construction, also such proportion of plant supervision expenses, engineering expenses, tool expenses, supply expenses, and general expenses as may be properly chargeable to the construction work included under this account.

When the work is completed on any job the cost of which has been included in this account, this account should be credited with the amount at which it stands charged, and the appropriate fixed capital or other accounts should be concurrently charged, but expenditures should not be carried in this account beyond the close of the fiscal year next succeeding that in which the expenditures were made.

## 105. INVESTMENT SECURITIES.

This account should include the cost or book value of stocks, bonds, and other evidences of indebtedness (including notes having dates of maturity of more than one year from date of issue) held by the accounting company, and pledged as collateral for other securities issued or assumed, or held as a means of obtaining or exercising control over other corporations, for devotion to future operations, or for securing other business advantages.

In stating this account or the subaccounts provided hereunder on the balance-sheet statement the par value of securities issued or assumed by the accounting company and carried in this account should be deducted in order that this account will show only the cost or book value of securities of other companies. (See sec. 5, p. 13.)

<sup>1</sup> The total of accounts Nos. 100 and 101 should be drawn down on the balance-sheet statement, and the total of accounts Nos. 102 and 103 deducted therefrom, the difference being shown as the net total.

The following subaccounts should be kept by class A companies:

- 106. *Stocks of System Corporations.*<sup>1</sup>
- 107. *Funded Debt of System Corporations.*<sup>1</sup>
- 108. *Miscellaneous Stocks.*
- 109. *Miscellaneous Funded Debt.*

NOTE A.—Short-term notes payable upon demand or having dates of maturity of one year or less from the date of issue should not be included herein but in account No. 110, "Advances to System Corporations for Construction, Equipment, and Betterments," or No. 117, "Bills Receivable," as may be appropriate.

NOTE B.—In the annual reports of class A and class B telephone companies to the Commission Investments will be required to be classified so as to show those held subject to a lien of some character and those held free of all lien or pledge.

#### 110. ADVANCES TO SYSTEM CORPORATIONS FOR CONSTRUCTION, EQUIPMENT, AND BETTERMENTS.

This account should include advances to controlling, affiliated, controlled, and subsidiary corporations to enable such corporations to pay for construction, equipment, or additions and betterments, if such advances are of a permanent nature (i. e., if there is not an understanding that the advances are to be repaid within one year) or if it is understood and intended that reimbursement shall be made by the issue of the securities of the debtor corporation.

NOTE A.—Gifts to system corporations made without expectation of reimbursement should be included in account No. 353, "Miscellaneous Appropriations from Income," or No. 416, "Miscellaneous Appropriations of Surplus" and not in this account.

NOTE B.—Temporary advances on open accounts to system corporations and such advances for purposes other than construction, equipment, and betterments should be included in account No. 119, "Accounts Receivable from System Corporations."

#### 111. MISCELLANEOUS INVESTMENTS.

This account should include investments of a permanent nature in property (tangible or intangible) other than that held for the operation of the company's plant as a telephone system. It should include such items as investments in lighting, water, and power plants, manufacturing plants, lands, and buildings and other property not a part of the company's plant for telephone operations or of facilities incident thereto.

#### WORKING ASSETS.

##### 112. CASH AND DEPOSITS.

This account includes the various items respecting cash and special deposits as provided in the following subaccounts:

<sup>1</sup> By a system corporation is meant any controlling, affiliated, controlled, or subsidiary corporation.

##### 113. Cash.

This account should include the amount of current funds available for use on demand in the hands of financial officers and agents, or deposited in banks or with trust companies, and cash in transit for which agents receive current credit.

##### 114. Special Deposits.

This account should include deposits to pay declared dividends and matured interest; cash realized from the sale of securities and deposited with trustees for disbursement when the purposes for which the securities are sold are accomplished; amounts realized from the sale of property and deposited with trustees other than in sinking funds until the property is replaced; special deposits (in other than sinking funds) for the payment of debts and interest not matured; money and securities deposited to secure the performance of contracts; and other deposits of a special nature not provided for elsewhere.

In stating this account on the balance-sheet statement the amount of any securities issued or assumed by the accounting company and included herein should be deducted in order that this account will show only the assets herein other than the company's own securities. (See sec. 5, p. 13.)

##### 115. EMPLOYEES' WORKING FUNDS.

This account should include amounts advanced to general and special agents, and other officers and employees as working funds from which certain expenditures are to be made and accounted for.

##### 116. MARKETABLE SECURITIES.

This account should include the cost or book value of securities held in the company's treasury unpledged and free for sale and not necessary or desirable for the telephone company to hold for the purpose of maintaining the integrity of its telephone system.

In stating this account on the balance-sheet statement the par value of securities issued or assumed by the company and carried in this account should be deducted in order that this account may show only the cost or book value of securities of other companies. (See sec. 5, p. 13.)

##### 117. BILLS RECEIVABLE.

This account should include the cost of all collectible obligations in the form of bills receivable or other similar evidences of money receivable on demand or within a time not exceeding one year (excluding interest coupons).

NOTE A.—Notes having dates of maturity of more than one year after date of issue should not be included in this account but in account No. 105, "Investment Securities" or No. 116, "Marketable Securities."

NOTE B.—When loans to system corporations<sup>1</sup> for construction purposes are evidenced by demand or short-term notes intended later to be exchanged for other securities, the amount of such loans should be included in account No. 110, "Advances to System Corporations for Construction, Equipment, and Betterments."



## 118. DUE FROM SUBSCRIBERS AND AGENTS.

This account should include amounts due from subscribers for services rendered or billed and from agents and collectors authorized to make collections from subscribers.

This account should be kept in such manner as will enable the companies to make the following analysis, viz:

(a) Amounts due from subscribers who are still receiving telephone service.

(b) Amounts due from subscribers whose telephone service has been discontinued and whose accounts are in process of collection in the usual way.

(c) Amounts due from subscribers whose telephone service has been discontinued and whose accounts are in litigation or otherwise suspended.

Credit to a subaccount hereunder such amounts as may be concurrently charged to account No. 304, "Uncollectible Operating Revenues," to provide a reserve for uncollectible accounts due from subscribers and agents. If such reserve is provided, when any bill for services has proved impracticable of collection, this subaccount should be charged and the account in which the bill is carried should be credited.

## 119. ACCOUNTS RECEIVABLE FROM SYSTEM CORPORATIONS.

This account should include amounts due from controlling, affiliated, controlled, or subsidiary corporations on open accounts other than those provided for in account No. 110, "Advances to System Corporations for Construction, Equipment, and Betterments."

## 120. MISCELLANEOUS ACCOUNTS RECEIVABLE.

This account should include all amounts owed to the company upon accounts with solvent concerns (other than system corporations and subscribers and agents), also the cost of all accounts and claims (except notes or negotiable bills) upon which responsibility is acknowledged by solvent concerns or which are sufficiently secured to be considered good, and of all judgments against solvent concerns where the judgment is not appealable or suspended through appeal.

NOTE.—Cash on deposit in banks or with trust companies should not be included in this account but in account No. 113, "Cash," or No. 114, "Special Deposits."

## 121. MATURED INTEREST AND DIVIDENDS RECEIVABLE.

This account should include all interest accrued and due but not yet collected upon bonds, notes, or other commercial paper held by or for the benefit of the company, and all dividends declared and due by solvent concerns but not yet collected, the right to which is in the company.

## 122. MATERIALS AND SUPPLIES.

This account should include the cost of unapplied material, including the value of material temporarily in use and not charged

out in the company's accounts; articles in process of manufacture by the company; tools, fuel, stationery, and other supplies. Freight and express charges paid on material included in this account should be included in the value of such material.

Where discounts recovered through prompt payment can not be credited to the particular bills, the cost at which such materials and supplies should be charged should be the invoice cost, and any discounts recovered through prompt payment of bills for such materials and supplies should be credited to clearing account No. 704, "Supply Expense."

When any tangible fixed capital is discontinued, withdrawn, or retired, and when any equipment, materials, and supplies are returned to store, the salvage value thereof should be charged to this account, regardless of whether such equipment, materials, and supplies are to be consumed in operation or in construction, or to be sold. If such value is not known and cannot readily be determined, it should be estimated, and errors in such estimates, when determined, involved during the year in which the estimates were made, should be adjusted through the accounts involved; if later, then through the Corporate Surplus or Deficit account.

Inventories of materials and supplies on hand and unapplied should be taken at least annually, and any shortages or overages disclosed by such inventories should be credited or debited to this account and debited or credited to clearing account No. 704, "Supply Expense," in case such shortages or overages can not be assigned to specific accounts.

## 123. OTHER CURRENT ASSETS.

This account should include the cost of all current assets which are not includible under any of the foregoing accounts. By current assets are meant only those things that are readily convertible into money and which are held not as investments but with the intent of being presently converted into money.

## ACCRUED INCOME NOT DUE.

## 124. UNMATURED INTEREST, DIVIDENDS, AND RENTS RECEIVABLE.

This account should include the amount of interest on loans made and rents under leases accrued to the date of the balance sheet, but not due or collectible until after that date, and dividends declared on stocks owned, and dividends accrued on such stocks when contracts require that the dividends be paid at stated times.

## DEFERRED DEBIT ITEMS.

## 125. SINKING FUND ASSETS.

This account should include the amount of cash, the cost or book value of live securities of other companies, the par value of live securities issued or assumed by the accounting company, and other assets which are in the hands of trustees of sinking

and other funds for the purpose of redeeming outstanding obligations; also amounts deposited with such trustees on account of mortgaged property sold. A separate account should be raised for each sinking fund.

In stating this account on the balance-sheet statement the par value of any securities issued or assumed by the company and carried in this account should be deducted from the total in order to show only the net assets in sinking funds other than the company's own securities. (See sec. 5, p. 13.)

#### 126. INSURANCE AND OTHER RESERVE FUND ASSETS.

This account should include the amount of cash, the cost or book value of securities of other companies, the par value of securities issued or assumed by the accounting company, and other assets in the hands of trustees or managers of insurance, and other funds that have been raised and specifically set aside or invested by the company for specific purposes (except special deposits, provident funds, and sinking funds for the retirement of obligations). A separate account should be raised for each fund.

In stating this account on the balance-sheet statement the par value of any securities issued or assumed by the company and carried in this account should be deducted from the total in order to show only the net assets in the funds other than the company's own securities. (See sec. 5, p. 13.)

#### 127. PROVIDENT FUND ASSETS.

This account should include the amount of cash, and the cost or book value of securities and other assets in the hands of trustees or managers of employees' pension funds, savings funds, relief, hospital, and other association funds (whether contributed by the company, by employees, or by others), when such trustees or managers are acting for the company in the administration of such funds. (See account No. 170.)

#### 128. PREPAYMENTS.

This account should include the balances arising from the payment of rents, taxes, insurance, and like disbursements, in advance of the period to which they pertain, as defined in the following subaccounts:

##### 129. *Prepaid Rents.*

This account should include the amount of rents paid in advance of the enjoyment of the term. As the term is consumed, credit this account at monthly intervals and debit the appropriate rent account with the amount applicable to the month.

##### 130. *Prepaid Taxes.*

This account should include the excess of taxes paid over the amount properly chargeable to Income or other accounts as shown by the debit balance in the Tax Liability account. (See sec. 16, p. 47.)

##### 131. *Prepaid Insurance*

When premiums on insurance policies are paid in advance of their accrual, the amount prepaid shall be charged to this account. As such premiums accrue, they should be credited at monthly intervals to this account and charged to account No. 668, "Insurance."

##### 132. *Prepaid Directory Expense.*

Charge to this account the cost of preparing, printing, binding, and delivering directories; also the cost of soliciting advertisements for directories. When directories are issued, this account should be credited each month and operating expense account No. 649, "Directory Expenses," should be charged with the proportion of the cost based on the number of months the directory will be in use.

##### 133. *Other Prepayments.*

When prepayments are made for anything other than as provided for in the four next preceding accounts, the amount of such prepayments should be included in this account.

##### 134. UNEXTINGUISHED DISCOUNT ON CAPITAL STOCK.

If the net of the balances in the discount and premium accounts for all classes of capital stock sold or exchanged is a debit balance, the amount should be stated in this account. (See sec. 6, p. 13.)

##### 135. UNAMORTIZED DEBT DISCOUNT AND EXPENSE.

If the net of the balances in the discount and premium accounts for all classes of funded debt sold or exchanged is a debit balance, the amount should be stated in this account. (See sec. 7, p. 14.)

##### 136. OTHER SUSPENSE.

This account should include all debits not provided for elsewhere and the proper final disposition of which is uncertain. It will include all such items as expense of preliminary surveys, plans, investigations, etc., made for determining the feasibility of projects under contemplation. Should any such project later be carried to completion, such amounts should be credited to this account and charged to the proper fixed capital account or accounts; should it be abandoned, such amounts should be charged to Corporate Surplus or Deficit account.

This account should also include the amounts carried in suspense due to extraordinary casualties and unanticipated reconstruction. (See sec. 24, p. 68.)

When the proper disposition of any item charged to this account is determined, it should be credited to this account and charged to the appropriate account or accounts.

##### CORPORATE DEFICIT.

##### 137. CORPORATE DEFICIT.

Under this head should be shown the debit balance, if any, in the Corporate Surplus or Deficit account. (See sec. 17, p. 56.)

## LIABILITY ACCOUNTS.

## STOCK.

## 150. CAPITAL STOCK.

This account should include the par value of stock actually issued. In case of the issue of two or more classes of stock a separate account should be provided for each class. Credit to a subaccount entitled "Installments on Stock Subscriptions," the amount of installments paid on subscriptions for capital stocks; when certificates of stock are issued for installments paid, this subaccount should be cleared and the par value of the stock so issued should be credited to the account appropriate for such stock.

The amounts included in this account, or in the subaccounts, should be subdivided so as to show (1) the par value of certificates issued and outstanding and not held by the company, its agents or trustees, and (2) the par value of certificates (pledged or unpledged) issued by the company and held by or for it. In stating the accounts on the balance-sheet statement, the latter amount should be deducted from the total in order to show only the par value of the certificates actually outstanding in the hands of the public at the date of the balance-sheet statement. (See sec. 5, p. 13.)

NOTE A.—By *capital stock*, as the term is here used, is meant those securities which represent permanent interests in the corporation, or interests which, if terminable, are so only at the option of the corporation. Stocks are classified as—

*Common stocks*, those whose claims in the distribution of dividends are subordinate to the claims of all other stocks.

*Preferred stocks*, those having a first claim upon those dividends which may be distributed.

*Debenture stocks*, those issued under a contract to pay a specified return at specified intervals.

No two stocks should be considered of the same class unless they are equal in their dividend or interest rights, their voting rights, and the conditions under which they may be retired.

NOTE B.—If any issue of stock is for money, that fact should be stated; and if for any consideration other than money, the person to whom issued should be designated, and the consideration for which issued should be described with sufficient particularity to identify it. If such issue is to the treasurer or other agent of the company, to be by him disposed of for the benefit of the company, that fact and the name of such agent should be shown; and such agent should, in his account of the disposition thereof, show the like details concerning the consideration realized thereon.

NOTE C.—If the fair cash value of the consideration realized upon the issue of any amount of stock is greater or less than the par value of such stock the difference should be credited or charged to an appropriate discount and premium account, and corresponding reference thereto should be contained in the entry relating to such stock in the stock account. (See sec. 6, p. 13.)

## 151. STOCK LIABILITY FOR CONVERSION OF SECURITIES.

This account should include the par value of stock that the company has agreed to issue in exchange for securities of constituent companies whose physical property has been acquired under

such agreements, but whose securities have not yet been surrendered for exchange.

## 152. PREMIUMS ON CAPITAL STOCK.

If the net of the balances in the discounts and premiums accounts for all classes of capital stock sold or exchanged is a credit balance, the amount should be stated in this account. (See sec. 6, p. 13.)

## LONG TERM DEBT.

## 153. FUNDED DEBT.

This account should include the par value of funded debt actually issued or assumed by the company. In case of two or more classes of funded debt a separate account should be provided for each class. Credit to a subaccount, entitled "Installments on Funded Debt Subscriptions," the amount of installments paid on subscriptions to funded debt issues. When bonds, notes, or other evidences of indebtedness are delivered, this subaccount should be cleared and the par value of the funded debt so issued should be credited to the account appropriate for such funded debt. The entry in any account should show also the purpose for which funded debt is issued.

The amounts included in this account, or in the subaccounts, should be subdivided so as to show (1) the par value of funded debt securities issued or assumed and outstanding and not held by the company, its agents or trustees, and (2) the par value of funded debt securities (pledged or unpledged) issued or assumed by the accounting company and held by or for it. In stating the accounts on the balance-sheet statement the latter amount should be deducted from the total in order to show only the par value of funded debt securities actually outstanding in the hands of the public at the date of the balance-sheet statement. (See sec. 5, p. 13.)

NOTE A.—By *funded debt*, as the term is here used, is meant the par value of all bonds, notes, and other evidences of indebtedness (except open accounts for advances) which, by the terms of the creation of the debt, do not mature until more than one year after the date of such creation. Funded debt is classified in accordance with four principal characteristics, viz, (1) mortgage or other lien or security therefor; (2) rate of interest; (3) interest dates; and (4) date of maturity. No two amounts of funded debt should be considered of the same class unless agreeing in all four of the above characteristics, except that any issue of securities agreeing in the first three characteristics but maturing serially may be treated as of the same class. Where any portion of the funded debt rests only on the general credit of the corporation and is not specially secured or supported by lien of any character, it should, for the purpose of these accounts, be known as a debenture. Debentures include promissory notes unsecured by mortgage or other lien, and securities commonly known as plain bonds.

NOTE B.—If the consideration received for any issue of funded debt is anything else than money, the entry should show the principal to whom issued and should describe with sufficient particularity to identify it the consideration actually received for the issue. If the issue is in any case to an agent of an undisclosed principal, the name and business address of such agent and the fact of his agency should be shown in the entry.

NOTE C.—If the fair cash value of the consideration realized upon the issue of any amount of funded debt securities is greater or less than the par value of such securities plus the accrued interest, the difference should be credited or charged to an appropriate discount-and-premium account, and corresponding reference thereto should be made in the entry relating to such debt in the funded debt account. (See sec. 7, p. 14.)

#### 154. RECEIVERS' CERTIFICATES.

When any receiver acting under the orders of a court of competent jurisdiction is in possession of the property of the company and under the orders of such court issues certificates of indebtedness chargeable upon such property, the par value of such certificates should be credited to this account. Interest accruing upon such certificates should also be credited monthly to this account, and when paid should be charged to this account.

#### 155. ADVANCES FROM SYSTEM CORPORATIONS FOR CONSTRUCTION, EQUIPMENT, AND BETTERMENTS.

This account should include advances from controlling, affiliated, controlled, and subsidiary corporations to enable the accounting company to pay for construction, equipment, or additions and betterments if such advances are of a permanent nature (i. e., if there is not an understanding that the advances are to be repaid within one year), or if it is understood and intended that a reimbursement shall be made by the issue of the securities of the debtor corporation.

NOTE A.—Gifts from system corporations without expectation of reimbursement should not be credited to this account but to account No. 401, "Miscellaneous Additions to Surplus."

NOTE B.—Temporary advances on open accounts from system corporations and such advances for purposes other than construction, equipment, or additions and betterments should be included in account No. 160, "Accounts Payable to System Corporations."

#### WORKING LIABILITIES.

##### 156. JUDGMENTS UNPAID.

When any judgment of indebtedness is rendered against the company by a court of competent jurisdiction, or any fine or penalty requiring the payment of money is assessed against the company by such a court, and no appeal accompanied by stay of execution has been taken therefrom within the time allowed by law for such appeal, the amount of such judgment, fine, or penalty should be credited to this account, and the entry should designate the action or suit as a consequence of which such judgment is pronounced or such fine or penalty assessed. The designation of the action or suit should show what court, the term thereof, the parties, and the character of the action or suit. Interest accruing upon any such judgment should be credited monthly to this account. When payment is made this account should be charged.

NOTE.—In case of appeal and affirmance in whole or in part, from which judgment of affirmance a further appeal lies, the same rule shall apply as upon entry of original judgment.

##### 157. BILLS PAYABLE.

This account should include the par value of all notes, drafts, and other evidences of indebtedness, issued or assumed by the company, and which are payable on demand or within a time not exceeding one year.

NOTE.—When loans from system corporations for construction purposes are evidenced by demand or short-term notes intended later to be exchanged for other securities, the amount of such loans should be included in account No. 155, "Advances from System Corporations for Construction, Equipment, and Betterments."

##### 158. AUDITED VOUCHERS AND WAGES UNPAID.

This account should include the amount of audited vouchers or accounts and audited pay rolls unpaid on the date of the balance sheet. Include also the amount of unclaimed wages and outstanding pay and time checks issued in payment of wages.

##### 159. SUBSCRIBERS' DEPOSITS.

Credit to this account, as such deposits are made, all cash deposited with the company by subscribers for telephone service as security for the payment of bills. Deposits refunded should be charged to this account and credited to cash. Deposits applied to uncollectible telephone bills should be credited to the account of the subscriber and charged to this account.

##### 160. ACCOUNTS PAYABLE TO SYSTEM CORPORATIONS.

This account should include the amounts owed to controlling, affiliated, controlled, or subsidiary corporations on open accounts other than those provided for in account No. 155, "Advances from System Corporations for Construction, Equipment, and Betterments."

##### 161. MISCELLANEOUS ACCOUNTS PAYABLE.

This account should include all amounts owed to miscellaneous creditors on open accounts and not provided for elsewhere.

##### 162. MATURED INTEREST, DIVIDENDS, AND RENTS UNPAID.

This account should include interest matured and unpaid on loans and funded debt of the accounting company, and of other companies, when payment has been assumed by the company; rents due and unpaid on property held under leases; and dividends due and payable on capital stock but unpaid, uncalled for, or unclaimed at the date of the balance sheet.

##### 163. MATURED FUNDED DEBT UNPAID.

This account should include the amount of matured mortgage, bonded, and other funded debt payable, but not yet paid, including bonds drawn for redemption through the operation of sinking and redemption fund agreements.

##### 164. SERVICE BILLED IN ADVANCE.

When bills are made for service to be rendered in future months, and the amount of the bills is included in account No. 118, "Due from Subscribers and Agents," or other asset account but not in the revenue accounts, the proportion of the bills



applicable to future months should be credited to this account. As the term expires for which the bill is made, the appropriate revenue account should be credited and this account debited with the amount applicable to the current month. When toll coupons or tickets are sold, this account should be credited with the amount representing the service to be rendered. At the end of each month this account should be charged and the appropriate revenue accounts credited with the amount of coupons and tickets (less the discount, in case coupons or tickets were sold at a discount) redeemed during that month.

#### 165. OTHER CURRENT LIABILITIES.

This account should include the amounts of all current liabilities which are not included in any of the foregoing accounts.

#### ACCRUED LIABILITIES NOT DUE.

##### 166. TAXES ACCRUED.

This account should include the amount of taxes accrued and properly charged against income or other accounts in excess of the amount of taxes paid. (See sec. 16, p. 47.)

##### 167. OTHER ACCRUED LIABILITIES NOT DUE.

This account should include the amount of interest on loans and funded debt, including interest on funded debt assumed, and rents under leases accrued to the date for which the balance sheet is made but not due until after that date; dividends on stock declared prior to the date of the balance sheet but not payable until after that date, and other liabilities (except taxes) that have accrued to the date of the balance sheet but not due until after that date.

NOTE.—The interest accruing on any judgment against the company or upon any receivers' certificate should be credited to the account to which such judgment or receivers' certificate stands credited.

#### DEFERRED CREDIT ITEMS.

##### 168. UNEXTINGUISHED PREMIUM ON DEBT.

If the net of the balances in the discount-and-premium accounts for all classes of funded debt sold or exchanged is a credit balance, the amount should be stated in this account. (See sec. 7, p. 14.)

##### 169. INSURANCE AND CASUALTY RESERVES.

This account should include any specific appropriation of income or surplus and such amounts as are concurrently charged to account No. 668, "Insurance," to cover self-carried risks on fire, fidelity, boiler, casualty, burglar, and other self-carried insurance. Charge to this account the proportion of losses realized on items protected by such self-carried insurance.

When any admitted liability arises because of loss or damage to the property of others or of injuries to employees or other persons, the amount of the liability may (if not previously provided for by insurance or self-insurance) be charged to the appropriate

operating expense or other accounts and credited to this account, against which (in such case) the actual cost of satisfaction of the liability should be charged when the matter is determined. If the extent of the liability can not be ascertained promptly after the liability arises, it may be estimated as accurately as practicable for the purpose of determining the immediate charge to the expense or other appropriate account, in which case the matter should be adjusted when the extent of the liability is definitely ascertained. If the loss is of such character that it is in whole or in part indemnifiable under any contract of insurance carried by the company, the indemnifiable portion of the loss should be charged to the insurer and credited to this account.

##### 170. LIABILITY ON ACCOUNT OF PROVIDENT FUNDS.

This account should include any specific appropriations of income or surplus and such amounts as are charged to account No. 672, "Relief Department and Pensions" to provide for pension, benefit and other provident payments.

This account should also include the ledger balances covering the amount of cash and the cost or book value of securities and other assets in the hands of trustees or managers of employees' pension funds, savings funds, relief, hospital, and other association funds (whether contributed by the company, by employees, or by others), when such trustees or managers are acting for the company in the administration of such funds; also the amount of such funds held in the company's treasury.

#### APPROPRIATED SURPLUS.

##### 171. SURPLUS INVESTED SINCE DECEMBER 31, 1912, IN FIXED CAPITAL.

This account should include such amounts of surplus as are definitely set aside to cover expenditures for extensions or improvements of the fixed capital of the accounting company; such appropriations include those made for the purpose of discharging the principal (less the discount, if any, suffered at the time of sale) of any obligations incurred in the acquisition of any property whose cost is carried in the fixed capital accounts. The amounts credited to this account should be concurrently charged to account No. 352, "Appropriations of Income for Construction, Equipment, and Betterments," or No. 415, "Appropriations of Surplus for Construction, Equipment, and Betterments."

This account should not include temporary appropriations for the acquisition of property the cost of which is intended later to be met by an issue of securities, nor appropriations for the payment of obligations which are intended to be replaced by new issues.

##### 172. SURPLUS INVESTED IN SINKING FUNDS.

This account should include appropriations of income or surplus specifically invested or set aside in the hands of trustees for sinking and redemption funds, including accretions to such funds.



The amounts credited to this account should be concurrently charged to account No. 350, "Appropriations of Income to Sinking and Other Reserve Funds," or No. 411, "Appropriations of Surplus to Sinking and Other Reserve Funds."

#### 173. OTHER SURPLUS RESERVED.

This account should include all appropriations of income or surplus held in reserve except as covered by accounts Nos. 169, 170, 171, and 172. A separate subaccount should be raised for each reserve, and the entries in such subaccounts will be required to be shown separately in the annual report to the Commission.

This account should also include the unexpended balance, if any, of appropriations intended to be invested in fixed capital, and such appropriations to sinking or redemption fund reserves as are not specifically invested.

#### CORPORATE SURPLUS.

##### 174. CORPORATE SURPLUS UNAPPROPRIATED.

Under this head should be shown the credit balance, if any, in the Corporate Surplus or Deficit account. (See sec. 17, p. 56.)

#### FIXED CAPITAL ACCOUNTS.

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# INSTRUCTIONS PERTAINING TO FIXED CAPITAL ACCOUNTS.

9. **Fixed capital defined.**—By the fixed capital of a company (frequently termed the *construction account*) is meant the property, both tangible and intangible, which is devoted to the accomplishment of the principal purposes of its business, and which has an expectation of life in service of more than one year from date of installation in service (exception being made in the case of hand tools and other small portable tools that may be lost or stolen).

Fixed capital consists of *original capital, additions, betterments, and replacements*, and the cost thereof should be charged as directed below.

*Original capital* is the fixed capital installed or acquired prior to the beginning of regular operations by the company. As applied to a telephone company it includes the acquisition or construction of the plant necessary to begin the regular operation of an exchange or toll system. The cost of original capital should be charged to the appropriate subaccounts under account No. 100, "Fixed Capital Installed Prior to January 1, 1913," or under account No. 101, "Fixed Capital Installed Since December 31, 1912."

*Additions* are structures, facilities, equipment, and other properties added to those in service at the beginning of operations, and not taking the place of any property of like purpose previously held by the company. The cost of additions should be charged to the appropriate subaccounts under account No. 101, "Fixed Capital Installed Since December 31, 1912."

*Betterments* are mechanical changes in structures, facilities, or equipment which have as their primary aim and result the making of the properties affected more useful or of greater capacity than they were at the time of their installation or acquisition. The cost of such portion only of the changes incident to betterments as will, when added to the original cost of the property bettered, give the cost of replacement or reconstruction in present condition of the property as bettered should be charged to the appropriate subaccounts under account No. 101, "Fixed Capital Installed Since December 31, 1912." The remainder of the cost of the change should be classed as a repair and be charged to the appropriate operating expense accounts.

*Replacements* are those installations of fixed capital which have for their purpose the substitution of one building, structure, piece of equipment, or machinery for another which it has become necessary to retire, the substitute having substantially no greater capacity than the property replaced; also the extension of life period of franchises, patents, and other intangible fixed capital.

The cost of the fixed capital retired should be credited to the fixed capital accounts in which it is carried and the cost of the fixed capital installed in place of fixed capital so retired should be charged to the appropriate subaccounts under account No. 101, "Fixed Capital Installed Since December 31, 1912."

10. **Costs to be actual money costs.**—All charges made to fixed capital or other property accounts with respect to any property acquired on or after January 1, 1913, should be the actual money costs of the property. When the consideration actually given for anything with respect to which a charge is made to any fixed capital or other property account is anything other than money, the actual consideration should be described in the entry with sufficient fullness and particularity to identify it, and the amount charged should be the actual money value of such consideration at the time of the transaction.

11. **Interest accruing during construction period.**—Account No. 268, "Interest During Construction," should include only such proportion of the interest on funds used for construction purposes and of the discount and expense on funded debt as is equitably assignable to the period between the date of the issuance of securities and the time when the property acquired or the improvement made through such issuance becomes available for the service for which it is intended. The proportion of interest, discount, and expense thus chargeable should be that which the period prior to the completion or coming into service of the facilities or improvements constructed bears to the entire life of the securities issued.

12. **Costs of labor, materials, and supplies.**—The term *cost* as used in the fixed capital (or construction) accounts means the actual cost in money of labor and materials used in construction, or the actual cost in money of property acquired after construction, or if the consideration given is other than money, the actual money value of such other consideration at the time of the purchase. Cost of labor includes not only wages, salaries, and fees paid employees, but also the personal expenses of such employees when borne by the company. Cost of material and supplies consumed in construction is the cost at the places where they enter into construction, including cost of transportation and inspection when specifically assignable. If such materials and supplies are passed through storehouses, their cost entered in the account may include a suitable proportion of store expense.

13. **Plant and equipment and other property purchased.**—When any property in the form of a going or completed plant is purchased, an appraisal of the property so acquired should be made, and the different constituent elements of the plant (and equipment, if any) or other property acquired should be appraised at their structural value; that is to say, at the estimated cost of replacement or reproduction less deterioration to the then existing conditions through wear and tear, obsolescence, and inadequacy. If the actual money value of the consideration given for the plant or other property was at the time of the acquisition in excess of such appraised value, the excess should be charged to account No. 204, "Other Intangible Capital," and the appraised values of the constituent elements should be charged to the appropriate fixed capital accounts as hereinafter designated. If the actual money value of the consideration given was not in excess of

such appraised value, such actual money value should be distributed through the said accounts in proportion to the said appraised value of the constituent elements appropriate to the respective accounts.

Companies should be prepared to furnish the Commission, upon demand, a full report of the contract of acquisition, the consideration given therefor, the determination of the actual money value of such consideration if other than money, the appraisal, and the amounts charged to the respective accounts for each plant or other such fixed capital purchased. The purchaser is required to procure in connection with the acquisition of any such plant or other fixed capital all existing records, memoranda, and accounts in the possession or control of the grantor relating to the construction and improvement of such plant, and to preserve such records, memoranda, and accounts until authorized by law to destroy or otherwise dispose of them.

14. **Fixed capital withdrawn or retired.**—(a) When any tangible fixed capital acquired prior to January 1, 1913, is withdrawn or retired from service for any cause, the amount at which it stands charged should be credited to the subaccount under account No. 100, "Fixed Capital Installed Prior to January 1, 1913," in which it is charged, and such amount, plus the expenses incident to the retirement, less the value of salvage, should be charged (1) to account No. 102, "Reserve for Accrued Depreciation—Cr." for the proportion applicable to the period covered by the reserve, and (2) to account No. 413, "Realized Depreciation not Covered by Reserves" for the remainder. Such portion only of the realized depreciation shall be charged to account No. 102, as is due to life in service during the period for which the reserve was established; this portion may be estimated on the basis of the proportion which the life in service of the property in question after that date bears to its entire life in service.

The entry of the credit to the fixed capital account should cite by name and page of book or other record the original entry of cost of the thing withdrawn. If there is no such original entry, that fact should be stated in connection with the credit entry, and the actual amount originally charged should be credited. If such amount is not known, it should be estimated, the facts upon which the estimate is based and the name of the person by whom estimated should be shown, and the amount thus estimated to be equivalent to the original charge in respect of such thing withdrawn should be credited to the fixed capital accounts involved.

(b) When any tangible fixed capital acquired subsequent to December 31, 1912, is withdrawn or retired from service for any cause the amount at which it stands charged should be credited to the fixed capital account in which it is charged, and such amount, plus the expenses incident to the retirement, less the value of salvage, should be charged to account No. 102, "Reserve for Accrued Depreciation—Cr."

The entry of the credit to the fixed capital account should cite by name and page of book or other record the original entry of cost of the thing withdrawn.

(c) If the age of tangible fixed capital withdrawn or retired from service can not be determined for classification between account No. 100, "Fixed Capital Installed Prior to January 1, 1913," and account No. 101, "Fixed Capital Installed Since December 31, 1912," the property so retired should be treated as having been charged to the former account, and the necessary credits should be made to the subaccounts thereunder.

(d) When any fixed capital is withdrawn or retired whose book value as carried in the fixed capital accounts has been reduced by writing off estimated depreciation, only that part of the realized depreciation which has not already been written off should be charged to account No. 102, "Reserve for Accrued Depreciation—Cr.," or to account No. 413, "Realized Depreciation not Covered by Reserves."

(e) When any fixed capital is withdrawn or retired whose book value is greater than the known or estimated cost, such excess should be charged to account No. 417, "Other Deductions from Surplus," and the realized depreciation should be charged as elsewhere directed.

(f) If any fixed capital is sold for more than its original cost, the amount of depreciation, if any, accrued and credited to a reserve in respect thereof, should be determined as accurately as possible and charged to such reserve. The sum of the amount so charged and the excess of the selling price over the cost of the property should be credited to account No. 401, "Miscellaneous Additions to Surplus."

## TEXT EXPLANATORY OF FIXED CAPITAL ACCOUNTS.

## 100. FIXED CAPITAL INSTALLED PRIOR TO JANUARY 1, 1913.

This account is a summary of those accounts which include the fixed capital of the company installed prior to January 1, 1913, and which is still in service at the date of the balance sheet.

The accounts representing the fixed capital of the company as carried on its books at the close of December 31, 1912, should be so designated upon the books of the company as to show clearly that they relate only to fixed capital installed prior to the close of that date. No debits should be made to such accounts with respect to any property subsequently acquired, but the cost of such property should be charged to the accounts hereinafter provided. (See sec. 9, p. 32, and note under account No. 101.)

NOTE.—In the reports to the Commission a statement will be required showing the names of the accounts for fixed capital actually carried by the company on December 31, 1912, and the balances therein at the date of the report.

## 101. FIXED CAPITAL INSTALLED SINCE DECEMBER 31, 1912.

This account is a summary of accounts Nos. 200 to 274, inclusive, which include the cost of fixed capital installed since December 31, 1912. The sum of the balances in accounts Nos. 200 to 274, inclusive, as provided hereinafter, should be shown on the balance-sheet statement under this account. (See sec. 9, p. 32.)

NOTE.—If the accounts of a telephone company have been kept as prescribed by a State commission and it is possible to close the fixed capital accounts substantially into the primary fixed capital accounts prescribed hereinafter, it will not be necessary to separate the fixed capital accounts as of January 1, 1913, but the primary accounts under account No. 101 may include the fixed capital accounts since the effective date of supervision by the State commission, and the dates in the titles of accounts Nos. 100 and 101 may be changed accordingly.

## 200. INTANGIBLE CAPITAL.

This account should include the cost of intangible capital, as provided for in the following subaccounts:

## 201. Organization.

This account should include all fees paid to governments for the privilege of incorporation, and all office and other expenditures incident to organizing the company or other enterprise and putting it in readiness to do business. This includes the cost of preparing and distributing prospectuses, the cost of soliciting subscriptions for stock (but not for loans nor for the purchase of bonds or other evidence of indebtedness), cash fees paid to promoters, and the actual cash value at the time of organization of securities paid to promoters for their services in organizing the enterprise; counsel fees; cost of preparing and issuing certificates of stock, and cost of procuring certificates of necessity from State authorities, and other like costs.

## 202. Franchises.

This account should include the amount (exclusive of any tax or annual charge) actually paid to governments as the consideration for the grant of such franchise or right as is necessary to the conduct of the company's telephone operations. If any such franchise is acquired by assignment, the charge to this account in respect thereof should not exceed the amount actually paid therefor by the company to its assignor, nor should it exceed the amount actually paid the government. Any excess of the amount actually paid by the company over the amount paid by the original grantee to the grantor of the franchise should be charged to account No. 204, "Other Intangible Capital." If any such franchise has a life of not more than one year after the date when it is first exercised by the company, it should not be charged to this account, but to the appropriate accounts in operating expenses, or in account No. 128, "Prepayments," if extending beyond the fiscal year.

NOTE.—Annual or more frequent payments in respect of franchises must not be charged to this account, but to the appropriate tax or operating expense account.

## 203. Patent Rights.

This account should include the cost of all rights (having a life of more than one year from the date when placed in service) acquired by the company in or under valid patents granted by the United States to inventors for inventions and discoveries in connection with the conduct of the company's telephone operations.

## 204. Other Intangible Capital.

This account should include the cost of all other property coming within the definition of intangible capital and devoted to telephone operations. Entries of charges to this account should describe the acquired property with sufficient particularity clearly to identify it, and should also show specifically the principal from whom acquired and all agents representing such principal in the transaction; also the term of life of such property, estimated if not known, and, if estimated, the facts upon which the estimate is based. (See sec. 13, p. 33.)

## 207. RIGHT OF WAY.

This account should include the cost of all land and interests in land acquired for the location of telephone wires, cables, pole lines, and conduits; salaries and expenses of right-of-way agents; expenses of appraisals and of juries, commissioners, or arbitrators in condemnation cases; real-estate brokers' commissions; cost of plats, abstracts, notarial fees, examination of title, recording deeds, etc.

This account should also include the first cost of acquiring leaseholds of land for right of way, the terms of which are more

than one year each, whether acquired through direct lease, assignment, or otherwise (but not including the rents paid periodically in consideration of rights obtained under such leases). If any such leasehold is acquired by assignment, the charge to this account must not exceed the amount actually paid therefor by the accounting company to the assignor.

#### 210. LAND AND BUILDINGS.

This account should include the cost of land and buildings as provided for in the following subaccounts:

##### 211. *Land.*

This account should include the cost of all land and interests in land, other than right of way, acquired for use in the operation of the telephone plant, such as land occupied by general and central offices, shops, stables, garages, storehouses, etc. It includes the cost of examination and registration of title, conveyancer's and notary's fees, purchasing agent's commissions or proportion of purchasing agent's salary, taxes accrued to date of transfer of title, and all liens upon the title, when such costs are assumed or paid by the purchaser in his own behalf; cost of assessments for public improvements which add to the value of the lands but which are not the property of the accounting company; cost of grading land when not done in connection with buildings; and costs of obtaining consents and payments for abutting damages and expenses of condemnation proceedings.

This account should also include the first cost of acquiring leaseholds of land, other than for right of way, the terms of which are more than one year each, whether acquired through direct lease, assignment, or otherwise (but not including the rents paid periodically in consideration of rights obtained under such leases). If any such leasehold is acquired by assignment, the charge to this account must not exceed the amount actually paid therefor by the accounting company to the assignor.

NOTE.—Cost of buildings and other improvements (except as specified above) should not be included in this subaccount. If at the time of acquisition of an interest in land such interest extends to buildings or other improvements thereon, which improvements are devoted by the company to telephone operations, and if the price of such improvements is not determined by the contract, the buildings or improvements should be appraised at their fair cash value for use in such operations, and such appraised value shall be charged to account No. 212, "Buildings." If such improvements are devoted to operations other than telephone or held as investments, the cost (or the appraised value, if the cost is not determined in the contract of acquisition) should be charged to account No. 111, "Miscellaneous Investments." If the improvements are removed or wrecked, the salvage (less the cost of removal or wreckage) should be credited to this account.

##### 212. *Buildings.*

This account should include the cost of all buildings, such as general and central offices, shops, stables, garages, storehouses, etc., devoted to the general purposes of the company; also of all

permanent fixtures, such as water, steam, and gas pipes and fixtures; electric wiring and fixtures for lighting, signaling, etc.; elevators and the engines and motors specially provided for operating them; furnaces, boilers, and other apparatus provided for producing steam for such engines and for heating; electric generators specially provided for producing current for lighting such buildings, etc. This account includes such piers and other foundations for machinery and apparatus as are designed to be as permanent as the buildings in (or in connection with) which they are constructed, and to outlast the first machinery or apparatus mounted thereon. It also includes the cost of real-estate brokers' commissions, examinations and registrations of titles, and other expenses, such as architects' fees, supervision, etc., incident to the construction or purchase of buildings; and the cost of grading and of sidewalks, fences, hedges, etc., on grounds used in connection with such buildings. It does not include any telephone equipment, wiring, or apparatus for generating or controlling electricity for operation of the telephone system.

#### 220. CENTRAL OFFICE EQUIPMENT.

This account should include the cost of all central office equipment, as follows:

##### 221. *Central Office Telephone Equipment.*

This account should include the cost of local and toll switchboards, chief operators', monitors', and supervisors' desks and tables, wire chiefs' testing outfits, main and intermediate frames, cables, and jumper wires, call registers or meters, relay racks and coil racks, and power plants, including rectifiers, generators, engines, motors, batteries, power switchboards, meters, and fuse boards; telephone and telegraph instruments, and other electrical instruments and apparatus in the central office devoted to the operation of the telephone plant.

##### 222. *Other Equipment of Central Offices.*

This account should include the cost of furniture and equipment (other than telephone equipment) in central offices for the operating forces. This account includes the furniture and equipment in operators' rest and lunch rooms, and in operators' schools.

#### 230. STATION EQUIPMENT.

This account should include the cost of all telephone terminal equipment installed in service, either for subscribers or for company use, including the cost of installation, as follows:

##### 231. *Station Apparatus.*

This account should include the cost of station apparatus, such as telephone sets, intercommunicating sets, bells, backboards, desk stands, coin boxes, protectors, battery boxes, initial batteries and cords, special station switching devices not otherwise classified, and telephone and telegraph instruments or parts thereof when owned by the company and installed for service.



232. *Station Installations.*

This account should include the cost of installing station apparatus and the cost of inside wires; that is, the wires (or cables) from the instruments to the point of entrance to the building, where the drop wires or interior block wires terminate, or to the junction boxes, where the house cable or other cable terminates, including wires on the same premises to connect main and extension stations, or to connect the private branch exchange distributing frames with their terminal stations.

233. *Interior Block Wires.*

This account should include the cost of interior block wires (or cables) from the point of entrance to the building, where connection is made with the inside wires, to the point of connection with the permanent circuits at the terminals (block cable boxes) of the subsidiary underground cable or subsidiary aerial cable.

234. *Private Branch Exchanges.*

This account should include the cost of private branch exchange switchboards, their distributing frames, the cables connecting such switchboards and distributing frames, and the cost of installation.

235. *Booths and Special Fittings.*

This account should include the cost of booths and special fittings, such as desks, chairs, fans, and cash registers, and the cost of installation.

241. *EXCHANGE POLE LINES.<sup>1</sup>*

This account should include the cost of poles, towers, cross arms, pins, brackets, braces, guy wire, guy stubs, and other materials used in the construction of exchange service pole lines; also the cost of first clearing right of way.

242. *EXCHANGE AERIAL CABLE.<sup>1</sup>*

This account should include the cost of cables devoted to exchange service including the cost of suspension wire, cable clips and rings, cable boxes and fittings, pole seats and platforms, loading coils, pot heads, protectors, sleeves, and other material used in hanging such cables.

243. *EXCHANGE AERIAL WIRE.<sup>1</sup>*

This account should include the cost of exchange service wires, including insulators, sleeves, and other materials used in attaching such wires to the insulators. The exchange wire includes the drop wire leading from the overhead plant to the point of entrance to the building.

244. *EXCHANGE UNDERGROUND CONDUITS.<sup>1</sup>*

This account should include the cost of exchange service conduits, including the cost of pipe, cement, manholes, man-

<sup>1</sup> If plant is used both for exchange and toll service, the principal use of such plant should determine its classification.

hole furnishings, and other materials used, the cost of connections to poles and buildings, repaving, and other costs incident to the installation of such conduits.

245. *EXCHANGE UNDERGROUND CABLE.<sup>1</sup>*

This account should include the cost of exchange service underground cables, including cable boxes and fittings, loading coils, and other materials used in the work of installing such cables, and other cost incident thereto.

This account should include, in addition to the main exchange underground cable, the subsidiary cables through laterals to pole or building terminals; the subsidiary cables to the interior of city blocks for connection with interior block wires; and the subsidiary cables entering vertically (as house cables) into buildings for connection there with inside wires.

NOTE.—House cables are considered to be vertical extensions of underground cables or plant similar thereto. They do not include the inside wires extending from terminal boxes of house cables to subscribers' stations, nor the cables for subscribers' private branch exchange switchboards which are included in account No. 232, "Station Installations."

246. *EXCHANGE SUBMARINE CABLE.<sup>1</sup>*

This account should include the cost of exchange submarine cable, cable towers, loading coils, cable boxes and fittings, and other materials used in the installation of such cables, and other costs incident thereto.

251. *TOLL POLE LINES.<sup>1</sup>*

This account should include the cost of poles, towers, cross arms, pins, brackets, braces, guy wire, guy stubs, and other materials used in the construction of toll-service pole lines; also the cost of first clearing right of way.

252. *TOLL AERIAL CABLE.<sup>1</sup>*

This account should include the cost of cables devoted to toll service, including the cost of suspension wire, cable clips and rings, cable boxes and fittings, pole seats and platforms, loading coils, pot heads, protectors, sleeves, and other materials used in hanging such cables.

253. *TOLL AERIAL WIRE.<sup>1</sup>*

This account should include the cost of toll-service wires, including insulators, sleeves, and other materials used in attaching such wires to the insulators.

254. *TOLL UNDERGROUND CONDUIT.<sup>1</sup>*

This account should include the cost of toll-service conduits, including the cost of pipe, cement, manholes, manhole furnishings, and other materials used, the cost of connections to poles and buildings, repaving, and other costs incident to the installation of such conduits.

<sup>1</sup> If plant is used both for exchange and toll service, the principal use of such plant should determine its classification.

255. TOLL UNDERGROUND CABLE.<sup>1</sup>

This account should include the cost of toll-service underground cables, including cable boxes and fittings, loading coils, and other materials used in the work of installing such cables, and other costs incident thereto.

256. TOLL SUBMARINE CABLE.<sup>1</sup>

This account should include the cost of toll submarine cable, cable towers, loading coils, cable boxes and fittings, and other materials used in the installation of such cables, and other costs incident thereto.

## 260. GENERAL EQUIPMENT.

This account should include the cost of the equipment classified in the subaccounts hereunder. Items of small value or short life, such as portable tools liable to be lost or stolen, temporary shelving, waste baskets, gloves, whips, and the like, should not be included in this account or the subaccounts hereunder but should be charged direct to the operating expense accounts or to the clearing accounts.

## 261. Office Furniture and Fixtures.

This account should include the cost of desks, tables, chairs, carpets, cases, movable partitions, railings, shelves, typewriters, addressing machines, adding machines, and other office devices; stoves, portable gas and electric fixtures, and other office fittings (except fittings considered a part of the building as provided for in account No. 212, "Buildings," and telephone equipment provided for under account No. 220, "Central Office Equipment.")

## 262. General Shop Equipment.

This account should include the cost of all equipment specially provided for general shops, such as engines, gas producers, electric generators, and other power apparatus used in operating machinery in such shops; machine tools, shafting, belts, and like shop equipment; also such smithing equipment in general shops as is used principally for general purposes other than shoeing horses and repairing vehicles.

NOTE.—Hand and other small portable tools liable to be lost or stolen should not be included herein, but portable tools and apparatus of special value may be charged to this account and remain herein so long as record is kept of such tools and apparatus.

## 263. General Store Equipment.

This account should include the cost of all equipment of general store structures, such as movable counters, movable shelving, and other movable equipment of like nature; carts, barrows, trucks, tools, etc., and other apparatus and appliances used in handling, storing, or packing materials and supplies.

NOTE.—Counters, shelving, and the like which are permanently attached to the structure should be charged to account No. 212, "Buildings," and not to this account.

<sup>1</sup> If plant is used both for exchange and toll service, the principal use of such plant should determine its classification.

## 264. General Stable and Garage Equipment.

This account should include the cost of all equipment of general stables, including horses, harness, drays, wagons, automobiles and other vehicles; equipment of shoeing shops, harness-repair shops, vehicle-repair shops, etc.

## 265. General Tools and Implements.

This account should include the cost of portable testing apparatus and valuable tools and implements devoted to the maintenance or construction of the telephone plant and not provided for in the equipment accounts. This does not include tools not yet in use carried as supplies unissued.

## 268. INTEREST DURING CONSTRUCTION.

This account should include the interest upon all moneys (and credits available upon demand) devoted to the construction and equipment of the property from the time of such devotion until the construction is ready for use. Interest receivable accrued upon such moneys (and upon such credits) should be credited to this account.

If any property with respect to which an interest charge is included in this account is withdrawn or retired from service, the amount of such interest (estimated, if not known) should be credited to this account and charged off as a part of the original cost of the property so retired. No interest upon expenditures for replacements or reconstruction should be included in this account or any other fixed capital account unless proper credits are made to the appropriate fixed capital accounts for any interest included in such accounts in respect of the property retired or withdrawn. (See sec. 11, p. 33.)

## 270. UNDISTRIBUTED CONSTRUCTION EXPENDITURES.

This account should include the expenditures provided for in the following subaccounts when such expenditures can not be satisfactorily allocated to the fixed capital accounts to which they relate. Upon the retirement or withdrawal of any property with respect to which any charge is included in this account or any subaccount hereunder, there should be credited to this account or the appropriate subaccount such part of the undistributed expenditures during construction (estimated, if not known) as may be applicable to the property withdrawn or retired.

## 271. Engineering and Superintendence.

This account should include all expenditures for services and expenses of engineers, draftsmen, and superintendents employed on preliminary and construction work when the expenditures can not be assigned to specific construction accounts.

## 272. Law Expenditures During Construction.

This account should include general law expenditures incurred in the construction of the telephone plant, such as the pay and expenses of counsel, solicitors, and attorneys, their clerks and attendants, and expenses of their offices; the cost of printing briefs,

legal forms, testimony, reports, etc.; payments to arbitrators for the settlement of disputed questions; cost of suits and payments of special fees, notarial fees, and witness fees, and other court expenses. When any of the expenditures enumerated herein can be charged directly to the account for which incurred, they should be so charged and not to this account. Expenditures incurred in connection with the acquisition of right of way should be charged to account No. 207, "Right of Way," and in the acquisition of other land to account No. 211, "Land." Law expenditures in connection with the organization of the corporation should be charged to account No. 201, "Organization."

273. *Taxes During Construction.*

This account should include all taxes and assessments levied and paid on property belonging to the company while under construction and before the plant is opened for operation, except special taxes assessed for street and other improvements, such as grading, sewerage, curbing, guttering, paving, sidewalks, etc., which should be charged to the account to which the property benefited is charged.

274. *Miscellaneous Construction Expenditures.*

This account should include salaries and expenses of executive and general officers of the telephone company before it is ready to begin operations; clerks in general offices engaged on construction accounts or work; rent and repair of general offices when rented, with the office expenses; insurance during construction; also construction and equipment items of a special and incidental nature which can not properly be charged to any other fixed capital account.

NOTE A.—This account may include a suitable proportion of supply expenses when such expenses are not assignable to specific materials.

NOTE B.—This account should not include any costs of organization, or any costs or discounts connected with the issue and disposal of stocks, bonds, or other securities, or commercial paper.

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## INSTRUCTIONS PERTAINING TO INCOME STATEMENT.

15. **Income account defined.**—The Income Account brings together those accounts that show the total amount of money that the company has received or become entitled to receive for services rendered during a given period, the return accruing upon investments during the period and the disbursements and obligations (fixed charges) incurred that affect the disposition of the amounts so received or accrued.

The sum total of the credit balances in the operating revenue accounts at the close of a fiscal period diminished by the operating expenses, the taxes, and the uncollectible bills assignable to such operation gives the operating income (or loss) for the period.

To the net revenue (or deficit) are added the nonoperating revenues, less the nonoperating revenue deductions, which gives the gross income for the period.

From the gross income are deducted various compulsory deductions grouped herein as "Deductions from Gross Income;" this gives the Net Income (or Loss) for the particular period. From the Net Income are deducted such appropriations as are made from Income; this gives the amount that should be carried to the Corporate Surplus or Deficit account.

16. **Taxes.**—Separate accounts should be kept of the taxes applicable to operating and to nonoperating revenues, and, if the company engages in business other than telephone operations, taxes applicable to such other business should also be kept separate.

The tax accounts should be charged each month and an open account termed "Tax Liability Account" should be concurrently credited with the month's proportion of taxes applicable to the operations covered by each account. If the exact amounts of the annual taxes are not known, they should be estimated and one-twelfth of the estimated amounts be charged each month. From time to time during the year, as the actual tax levies become known, the monthly charges should be adjusted so as to include as nearly as may be possible the total amount of the taxes in the period to which they apply. When any such tax bill is actually paid, the "Tax Liability Account" should be debited with the amount of the payment. If the balance in the "Tax Liability Account" is a debit balance, due to the prepayment of taxes applicable to a period subsequent to that for which the Income Account is stated, the amount of the debit balance should be shown in account No. 130, "Prepaid Taxes"; and if the balance is a credit balance the amount should be shown in account No. 166, "Taxes Accrued."

Taxes on property leased should be charged to the appropriate tax account by the party which, under the terms of the lease contract, is obligated for such taxes. If the other party to the lease, as a matter of convenience, pays the taxes to the government authorities, such taxes should not enter its tax accounts but should be charged directly to the party obligated for the taxes.

The tax accounts must not include any fees or charges sometimes called taxes, such as water taxes, drainage taxes, fire taxes, etc., which are payments for some specified service rendered by the government.

TEXT EXPLANATORY OF ACCOUNTS APPEARING IN THE  
INCOME STATEMENT.

I. OPERATING INCOME

300. TELEPHONE OPERATING REVENUES.

This account should include the total operating revenues derived from the telephone operations of the company for the period covered by the income account statement. (For the primary operating revenue accounts, see pp. 61 to 63.)

301. TELEPHONE OPERATING EXPENSES.

This account should include the total operating expenses of the telephone operations of the company for the period covered by the income account statement. (For the primary operating expense accounts, see pp. 69 to 77.)

302. OTHER OPERATING REVENUES.

This account should include the total revenues of the company derived from operations, other than telephone operations, for the period covered by the income account statement. This account includes the revenue derived from the operation of property carried in balance-sheet account No. 111, "Miscellaneous Investments," when such property is operated by the accounting company.

303. OTHER OPERATING EXPENSES.

This account should include the total expenses of operations other than telephone operations for the period covered by the income account statement. This account includes the expenses of the operation of property carried in balance-sheet account No. 111, "Miscellaneous Investments," when such property is operated by the accounting company.

304. UNCOLLECTIBLE OPERATING REVENUES.

This account should include the amount of any account for telephone and other services which, after a reasonably diligent effort to collect, has proved impracticable of collection. This account includes only uncollectible bills for amounts which have been treated as operating revenues; other uncollectible bills should be charged to account No. 323, "Uncollectible Nonoperating Revenues," or to Corporate Surplus or Deficit account, as may be appropriate.

This account may include monthly charges, based upon estimates, to create a reserve for uncollectible bills, provided such reserve is adjusted annually in accordance with the experience of the accounting company. Such amounts should be credited to a subaccount under account No. 118, "Due from Subscribers and Agents," to which should be charged bills that have proved impracticable of collection.

305. TAXES ASSIGNABLE TO OPERATIONS.

This account should include Federal, State, county, municipal, and other taxing-district taxes relating to telephone property, operations, and privileges for the period for which the Income Account is stated. This account should also include the taxes on other property and operations, the revenues and expenses of which are included in accounts 302 and 303, respectively. (See sec. 16, p. 47.)

II. NONOPERATING REVENUES.

310. RENT REVENUES FROM LEASE OF TELEPHONE PLANT.

This account should include all revenues from the company's interests in telephone plant or equipment held by others under some form of lease whereby it surrenders possession of such property for operating purposes.

This account is intended to cover only rents receivable for the use of telephone exchanges or operating units held as a whole by others under some form of lease.

311. MISCELLANEOUS RENT REVENUES.

This account should include the revenues accruing to the company as a return upon rented property other than telephone plant and equipment, held by others under lease, as provided for in the preceding account.

NOTE.—If the property rented is so intimately connected with property used in the company's telephone operations that the expenses on the former can not be ascertained, the revenues should be credited to account No. 505, "Minor Rents of Exchange Plant," No. 515, "Minor Rents of Toll Plant," or No. 524, "Rents from Other Operating Property," as may be appropriate, and the expenses in connection with the rented property should be included in the operating expenses.

312. DIVIDEND REVENUES.

This account should include dividends declared on stocks owned by the accounting company (and held in its treasury or deposited in trust), or controlled through lease or otherwise, the income from which is the property of the accounting company. Accruals of guaranteed dividends may be included in this account if their payment is reasonably assured.

NOTE A.—This account should not include credits for dividends on stocks issued or assumed by the accounting company and owned by it, whether held in its treasury, in special deposits, or in sinking or other reserve funds, or pledged as collateral.

NOTE B.—Dividends on stocks of other companies held in sinking or other reserve funds should not be included in this account, but should be credited to account No. 314, "Sinking and Other Reserve Fund Accretions."

313. INTEREST REVENUES.

This account should include interest on funded securities of other companies owned by the accounting company (and held



in its treasury or deposited in trust), or controlled through lease or otherwise, the income from which is the property of the accounting company; interest on notes, bank balances, and open accounts; and other analogous items including discount on short-term notes. Interest accrued should not be credited unless its payment is reasonably assured by past experience, guaranty, anticipated provision or otherwise. In other cases the credit to this account should be based upon the interest actually collected.

NOTE A.—This account should not include interest on funded securities issued or assumed by the accounting company and owned by it, whether held in its treasury, in special deposits, or in sinking or other reserve funds, or pledged as collateral.

NOTE B.—Interest on funded securities of other companies held in sinking or other reserve funds should not be included in this account, but in account No. 314, "Sinking and Other Reserve Fund Accretions."

NOTE C.—At the option of the company there may be included in this account the portion applicable to the fiscal period of the amount requisite to extinguish (during the interval between the date of acquisition and the date of maturity) the discount or premium on funded securities of other companies owned.

#### 314. SINKING AND OTHER RESERVE FUND ACCRETIONS.

This account should include the revenues accruing on cash, securities, and other assets (other than securities issued or assumed by the accounting company) in the hands of the trustees or specifically set aside for sinking and other special funds.

NOTE A.—At the option of the company there may be included in this account the portion applicable to the fiscal period of the amount requisite to extinguish (during the interval between the date of acquisition and the date of maturity) the discount or premium on funded securities of other companies held in sinking or other reserve funds.

NOTE B.—If the income on any special fund is retained in the fund and if the fund is required to be represented by a reserve, the amounts credited to this account in respect to such income should be concurrently charged to account No. 350, "Appropriations of Income to Sinking and Other Reserve Funds," and credited to account No. 172, "Surplus Invested in Sinking Funds," or other appropriate reserve account.

#### 315. PROFITS FROM OPERATIONS OF OTHERS.

Whenever in accordance with the terms of any contract the company is entitled to participate in the profits from operations of others, all revenues accruing to the company from such source should be credited to this account.

NOTE.—This account does not include any dividends or other returns upon securities issued by such separately operating companies, nor any remuneration for services or the use of property as provided for in account No. 526, "Licensee Revenue—Cr."

#### 316. MISCELLANEOUS NONOPERATING REVENUES.

This account should include all nonoperating revenues not provided for in the foregoing accounts.

### III. NONOPERATING REVENUE DEDUCTIONS.

#### 320. RENT EXPENSE.

This account should include all expenses in connection with rented property, the rents of which are included in account No. 310 or No. 311, such as the cost of maintenance when borne by the company, the cost of negotiating contracts, advertising for tenants, fees paid conveyancers, collector's commissions, cost of enforcing payment of rent, cost of ousting tenants, etc. This includes the expense accruing while the property is idle and awaiting an occupant. It does not include taxes.

NOTE.—If the property rented is so intimately connected with property used in the company's telephone operations that the expenses on the former can not be ascertained, they should be included in the operating expenses and the revenue should be credited to account No. 505, "Minor Rents of Exchange Plant," No. 515, "Minor Rents of Toll Plant," or No. 524, "Rents from Other Operating Property," as may be appropriate.

#### 321. MISCELLANEOUS NONOPERATING EXPENSE.

This account should include all expenses in connection with nonoperating revenue other than the expense provided for in account No. 320, "Rent Expense." This account should include all expenses in connection with procuring interest revenue, dividend revenue, profits from operations of others, and analogous items. It does not include the taxes on such investments.

#### 322. NONOPERATING TAXES.

This account should include all taxes payable by the company accrued upon nonoperating property and all taxes assignable to nonoperating revenues. (See sec. 16, p. 47.)

#### 323. UNCOLLECTIBLE NONOPERATING REVENUES.

When any nonoperating revenues are judged by the company to be uncollectible, the amount thereof should be credited to the account in which theretofore charged and charged to this account.

### IV. DEDUCTIONS FROM GROSS INCOME.

#### 330. RENT DEDUCTIONS FOR LEASE OF TELEPHONE PLANT.

This account should include all amounts accrued against the company for rent of telephone plant and equipment which it holds under some form of lease from another, and of which for operating purposes it has the exclusive possession.

This account is intended to cover only rents payable for the use of telephone exchanges or operating units held as a whole under some form of lease.

#### 331. RENT DEDUCTIONS FOR TELEPHONE OFFICES.

This account should include the rents payable accruing for use of general offices and central and branch telephone offices

owned by others, excepting rents for which provisions are hereinafter made under "Clearing accounts." (See p. 77.)

NOTE.—Where rent payments cover services, light, heat, etc., and maintenance, in addition to a return upon investment, an apportionment should be made of the rent payment and the amount representing interest and maintenance (estimated, if not known) should be charged to this account, the balance of the payment being charged to the appropriate expense accounts. Where repairs of rented buildings are made by the company, the cost of such repairs should be charged to the appropriate operating expense or other accounts.

### 332. RENT DEDUCTIONS FOR CONDUITS, POLES, AND OTHER SUPPORTS.

This account should include the rents payable accruing for the use of ducts, conduits, or subways owned by others and rents for the use of poles, fences, or buildings as supports for the telephone lines of the accounting company.

### 333. RENT DEDUCTIONS FOR INSTRUMENTS AND EQUIPMENT.

This account should include the rents payable accruing for telephone instruments and equipment owned by others.

This account does not include amounts paid licensor telephone companies under an agreement to pay a certain percentage of revenues for use of instruments, privilege of connection, etc.

### 334. MISCELLANEOUS RENT DEDUCTIONS.

This account should include rents payable accrued not provided for elsewhere.

NOTE.—Rent of tools, equipment, or other facilities used for construction should not be included in this account, but in the appropriate fixed capital account.

### 335. INTEREST DEDUCTIONS FOR FUNDED DEBT.

This account should include all interest accrued on outstanding funded debt and debenture stock issued or assumed by the company. This account does not include interest on securities held by the company in its treasury, in sinking or other reserve funds, or pledged as collateral.

NOTE A.—Interest accruing on funded securities after maturity should not be included in this account, but in account No. 336, "Other Interest Deductions."

NOTE B.—If any of the funded debt securities issued or assumed by the company are held in its sinking or other reserve funds and the interest on such funded debt is an accretion to the fund, the interest on such securities should not be charged to this account, but an amount equal to the interest on the funded debt so held should be charged to account No. 350, "Appropriations of Income to Sinking and Other Reserve Funds." This does not apply to securities carried in account No. 127, "Provident Fund Assets."

### 336. OTHER INTEREST DEDUCTIONS.

This account should include all interest accrued on unfunded debt, such as short-term notes payable on demand or having dates of maturity one year or less from date of issue, and open accounts and other analogous items, including discount on short-term notes; also interest accruing on funded debt securities after maturity of debt.

### 337. LOSS ON OPERATIONS OF OTHERS.

Whenever, in accordance with the terms of any contract, the company is bound to contribute toward reimbursement of the losses resulting from the operations of others, all liabilities against the company accruing from such source should be charged to this account.

### 338. AMORTIZATION OF DEBT DISCOUNT AND EXPENSE.

Charge to this account during each fiscal period the proportion of the unamortized discount and expense on outstanding funded debt which is applicable to the period. (See sec. 7, p. 14.)

### 339. RELEASE OF PREMIUMS ON DEBT—Cr.

Credit to this account during each fiscal period the proportion of the premium at which outstanding funded debt was issued which is applicable to the period. (See sec. 7, p. 14.)

### 340. AMORTIZATION OF LANDED CAPITAL.

Charge to this account during each fiscal period such portion of the original money cost (estimated, if not known) of landed capital as carried in account No. 207, "Right of Way," and No. 211, "Land," as is necessary to cover the proportion of life thereof expired during such period.

NOTE A.—The amounts charged to this account should be concurrently credited to account No. 103, "Reserve for Amortization of Intangible Capital—Cr."

NOTE B.—When any landed capital expires or is otherwise retired from service (as e. g., through sale) the fixed capital account or investment account, if any, originally charged therewith should be credited with the amount originally charged, account No. 103, "Reserve for Amortization of Intangible Capital—Cr.," should be debited with all amounts theretofore credited to such account in respect of such capital so going out of service; the appropriate account should be debited with the proceeds of sale, if any, and any necessary adjustment should be made through the Corporate Surplus or Deficit account.

### 341. MISCELLANEOUS DEDUCTIONS FROM INCOME.

This account should include all deductions from gross income which are in the nature of fixed charges but not otherwise provided for, such as those required by the terms of some contract, agreement, charter provision, law, or ordinance. Such deductions should not include any appropriations or dispositions of income that rest solely in the discretion of the accounting company.

## V. DISPOSITION OF NET INCOME.

### 350. APPROPRIATIONS OF INCOME TO SINKING AND OTHER RESERVE FUNDS.

This account should include amounts of appropriations of income for sinking and other reserve funds. The terms of mortgages, deeds of trust, or other contracts providing for the allocation of income or for the payment of definite sums into

sinking and other reserve funds, and for accretions to such funds on account of income from previous investments, may be made the basis of such appropriations.

The appropriations for payments or accretions to the funds may include amounts equal to (1) direct payments; (2) the interest or dividends on securities issued or assumed by the accounting company and held in such funds; (3) the income from investments in securities (other than those issued or assumed by the accounting company) held in such funds; and (4) the income from cash and other property held in such funds.

NOTE A.—The amounts charged to this account should be concurrently credited to account No. 172, "Surplus Invested in Sinking Funds," or other appropriate reserve.

NOTE B.—If appropriations for direct payments are made from surplus, they should be charged to account No. 411, "Appropriations of Surplus to Sinking and Other Reserve Funds."

### 351. DIVIDEND APPROPRIATIONS OF INCOME.

This account should include dividends on outstanding capital stock issued or assumed by the accounting company (other than that held by it), if declared from income.

This account should be subdivided so as to show separately the dividends on the various classes of capital stock.

If a dividend is payable in any thing other than money, such thing should be described in the entry with sufficient particularity to identify it.

NOTE A.—This account should include the dividends declared out of income on all classes of capital stock, except debenture stock. The payments on debenture stock should be charged to account No. 335, "Interest Deductions for Funded Debt."

NOTE B.—This account should not include charges for dividends on capital stock issued or assumed by the accounting company and owned by it, whether held in its treasury, in special deposits, or in sinking or other reserve funds, or pledged as collateral. (See account No. 350, "Appropriations of Income to Sinking and Other Reserve Funds.")

NOTE C.—This account should be used if the appropriations are definitely made as chargeable to income. If similar appropriations are made from surplus, they should be charged to account No. 412, "Dividend Appropriations of Surplus."

### 352. APPROPRIATIONS OF INCOME FOR CONSTRUCTION, EQUIPMENT, AND BETTERMENTS.

This account should include amounts appropriated from income for construction and equipment and for betterments of property carried in fixed capital accounts.

These amounts should be subdivided so as to show—(a) amounts expended during preceding fiscal periods, (b) amounts expended during the current fiscal period, and (c) amounts held in reserve.

NOTE.—This account should be used if the appropriations are definitely made as chargeable to income. If similar appropriations are made from surplus, they should be charged to account No. 415, "Appropriations of Surplus for Construction, Equipment, and Betterments."

### 353. MISCELLANEOUS APPROPRIATIONS OF INCOME.

This account should include appropriations of income not provided for elsewhere.

NOTE.—This account should be used if the appropriations are definitely made as chargeable to income. If similar appropriations are made from surplus, they should be charged to account No. 416, "Miscellaneous Appropriations of Surplus."

## CORPORATE SURPLUS OR DEFICIT ACCOUNT.

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## INSTRUCTIONS PERTAINING TO CORPORATE SURPLUS OR DEFICIT ACCOUNT.

17. **Corporate surplus or deficit account defined.**—This account or summary is the connecting link between the Income Account and the Balance Sheet. It summarizes the changes in the corporate surplus or deficit during a given fiscal period resulting from the operations and the business transactions during that period, as well as those effected by any disposition of net profits made solely at the option of the company by accounting adjustments not properly attributable to the period, or by miscellaneous losses or gains not provided for elsewhere. The corporate surplus or deficit should be shown on the balance-sheet statement under account No. 137, "Corporate Deficit," or No. 174, "Corporate Surplus Unappropriated."

## TEXT EXPLANATORY OF CORPORATE SURPLUS OR DEFICIT ACCOUNT.

## I. CREDITS.

## 400. CREDIT BALANCE TRANSFERRED FROM INCOME ACCOUNT.

Under this title should be shown the amount of net income brought forward from the Income Account.

## 401. MISCELLANEOUS ADDITIONS TO SURPLUS.

This account should include amounts (not provided for elsewhere) transferred to Surplus from other accounts and amounts representing increases in resources not properly assignable to the income of the fiscal period for which the accounts are stated. Among the items which should be credited to this account are, for example—

Adjustment or cancellation of old balance-sheet accounts (other than fixed capital).

Profits derived from the sale of property carried in account No. 111, "Miscellaneous Investments."

Credits resulting from adjustments required to bring to par securities issued or assumed by the accounting company and reacquired at a cost less than the par value.

Premium on capital stock at the time of its retirement.  
Unextinguished premiums on funded debt retired before maturity.

## II. DEBITS.

## 410. DEBIT BALANCE TRANSFERRED FROM INCOME ACCOUNT.

Under this title should be shown the amount of net loss brought forward from the Income Account.

## 411. APPROPRIATIONS OF SURPLUS TO SINKING AND OTHER RESERVE FUNDS.

This account should include amounts of appropriations of surplus for sinking and other reserve funds. The terms of mortgages, deeds of trust, or other contracts providing for the allocation of surplus or for the payment of definite amounts into sinking and other reserve funds may be made the basis of such appropriations.

NOTE A.—This account should be used if the appropriations are definitely made as chargeable to surplus. If similar appropriations are made from income, they should be charged to account No. 350, "Appropriations of Income to Sinking and Other Reserve Funds."

NOTE B.—If appropriations are made to cover the income accruing on sinking-fund assets and to cover amounts equivalent to interest on securities issued or assumed by the accounting company and held in such funds, the amounts of such appropriations should not be included in this account, but should be included in account No. 350, "Appropriations of Income to Sinking and Other Reserve Funds." If appropriations are made to cover sums equivalent to dividends on stock issued or assumed by the accounting company and held in such funds the amounts of such appropriations may be included in this account or in account No. 350, according as the dividend is declared from surplus or from income.

NOTE C.—The amounts charged to this account should be concurrently credited to balance-sheet account No. 172, "Surplus Invested in Sinking Funds," or other appropriate reserve accounts.

#### 412. DIVIDEND APPROPRIATIONS OF SURPLUS.

This account should include dividends on outstanding capital stock issued or assumed by the accounting company (other than that held by it), if declared from surplus.

This account should be subdivided so as to show separately the dividends on the various classes of capital stock.

If a dividend is payable in any thing other than money, such thing should be described in the entry with sufficient particularity to identify it.

NOTE A.—This account includes the dividends declared from surplus on all classes of capital stock except debenture stock. The payments on debenture stock should be charged to account No. 335, "Interest Deductions for Funded Debt."

NOTE B.—This account should not include charges for dividends on capital stock issued or assumed by the accounting company and owned by it, whether held in its treasury, in special deposits, or sinking or other reserve funds, or pledged as collateral. (See account No. 411, "Appropriations of Surplus to Sinking and Other Reserve Funds.")

NOTE.—This account should be used if appropriations are definitely made as chargeable to surplus. If similar appropriations are made from income, they should be charged to account No. 351, "Dividend Appropriations of Income."

#### 413. REALIZED DEPRECIATION NOT COVERED BY RESERVES.

Charge to this account the realized depreciation (i. e., the difference between the original cost and the salvage, if any) on tangible fixed capital retired, if such depreciation has not been provided for through a depreciation reserve. This includes such portion of the realized depreciation on any physical property which was installed prior to the period for which the reserve was established as is due to life in service before that period. This portion may be estimated on the basis of the proportion which the life in service of the property in question prior to the period for which the reserve was established bears to its entire life in service. (See sec. 23, p. 67.)

#### 414. AMORTIZATION UNPROVIDED FOR ELSEWHERE.

Charge to this account, when any intangible property expires or is relinquished, such portion of its cost as has not been previously written off or is not covered by account No. 103, "Reserve for Amortization of Intangible Capital—Cr." Charge also to this account all optional amortization, such as that of assets carried in accounts No. 201, "Organization" and No. 204, "Other Intangible Capital."

#### 415. APPROPRIATIONS OF SURPLUS FOR CONSTRUCTION, EQUIPMENT, AND BETTERMENTS.

This account should include amounts appropriated from surplus for construction and equipment and for betterments of property carried in the fixed capital accounts.

These amounts should be subdivided so as to show (a) amounts expended during preceding fiscal periods, (b) amounts expended during the current fiscal period, and (c) amounts held in reserve.

NOTE.—This account should be used if appropriations are definitely made as chargeable to surplus. If similar appropriations are made from income, they should be charged to account No. 352, "Appropriations of Income for Construction, Equipment, and Betterments."

#### 416. MISCELLANEOUS APPROPRIATIONS OF SURPLUS.

This account should include appropriations of surplus not provided for elsewhere.

NOTE.—This account should be used when the appropriations are definitely made as chargeable to surplus. If similar appropriations are made from income, they should be charged to account No. 353, "Miscellaneous Appropriations of Income."

#### 417. OTHER DEDUCTIONS FROM SURPLUS.

This account should include amounts (not provided for elsewhere) transferred from Surplus to other accounts, amounts written off in consequence of adjustments, and payments not properly chargeable to Income for the fiscal period for which the accounts are stated. Among the items which should be charged to this account are, for example:

Adjustment or cancellation of old balance-sheet accounts (other than fixed capital).

Losses resulting from the sale, destruction, or retirement of property carried in account No. 111, "Miscellaneous Investments."

Losses resulting from adjustments required to bring to par securities issued or assumed by the accounting company and reacquired at a cost exceeding the par value.

Deductions made to extinguish discount on capital stock.

Deductions made to amortize debt discount and expense when not properly chargeable to income.

NOTE.—A complete analysis of this account will be required in annual reports of the company to the Commission.



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## INSTRUCTIONS PERTAINING TO OPERATING REVENUE ACCOUNTS.

18. **Operating revenues defined.**—By *operating revenues* are meant all amounts of money which the company receives or becomes lawfully entitled to recover for services rendered and as a return upon property used by the company in its own operations. Credits to the various revenue accounts should be based upon the gross charges made for services rendered by the company.

19. **Deductions from revenues.**—Discounts allowed subscribers for prompt payment, corrections of overcharges, overcollections theretofore credited and afterwards corrected, authorized refunds on account of failures in transmission, and other corrections should be charged to the revenue account to which they relate.

20. **Commissions.**—Commissions paid to attendants at pay stations and to employees or others in lieu of salaries should be charged to appropriate expense accounts and not to the revenue accounts.

## TEXT EXPLANATORY OF OPERATING REVENUE ACCOUNTS.

## I. EXCHANGE SERVICE REVENUES.

## 500. SUBSCRIBERS STATION REVENUES.

This account should include all revenues from subscribers for exchange service, extension stations, private branch exchanges, and other exchange service stations, whether the charge is based upon a flat rate or measured rate. Include in this account, also, charges made for the insertion of extra names in directory and for use of extra exchange mileage in circuits to subscribers' stations, installation and cancellation charges, and any commissions on telegraph tolls received in lieu of rent for exchange lines.

## 501. PUBLIC PAY STATION REVENUES.

This account should include all revenues from exchange service at public pay stations. This account should not include revenues from regular subscribers' stations having measured service or coin box service at standard rates. The amount credited to this account should be the gross amount collected or due at tariff rates; commissions allowed attendants or others for pay station tolls should be debited to account No. 648, "Pay Station Commissions," and not to this account.

## 502. MISCELLANEOUS EXCHANGE SERVICE REVENUES.

This account should include all revenues derived from exchange service other than from subscribers' stations or public pay stations, as provided for in the following subaccounts:

503. *Service Stations*.

This account should include switching charges and other revenues derived from stations, the lines and equipments for which are owned wholly or in part by others, but to which the accounting company furnishes exchange service.

504. *Private Exchange Lines*.

This account should include all revenues derived from telephone lines, equipment, and instruments forming part of the company's exchange plant and leased to others for use as private lines but without exchange connections with other subscribers.

505. *Minor Rents of Exchange Plant*.

This account should include all revenues derived from attachments to exchange poles, the use of exchange conduits, and other minor rents from exchange plant where such property is maintained by the accounting company, and the cost of such maintenance can not be separated from the expense of maintaining the rented property. This account should not include rents for equipment leased to licensees under an arrangement for a division of revenues as provided for in account No. 526, "Licensee Revenue—Cr."

506. *Other Exchange Revenues*.

This account should include all exchange service revenues not provided for elsewhere.

## II. TOLL SERVICE REVENUES.

### 510. MESSAGE TOLLS.

This account should include all revenues derived from messages transmitted wholly over the company's lines between stations in different exchange areas and for which a charge is made that is not included in contracts with subscribers for station service; also the accounting company's proportion of tolls on messages transmitted by the joint use of its own and other lines.

### 511. MISCELLANEOUS TOLL LINE REVENUES.

This account should include all toll service revenues (other than message tolls), as provided for in the following subaccounts:

#### 512. *Leased Toll Lines.*

This account should include all revenues derived from toll lines (including the terminal exchange circuits) leased by others under contracts giving exclusive telephone use either continuously or during stated periods. Such plant may be leased in connection with private branch exchange or private exchange line installations.

NOTE.—Revenues from private branch exchanges or private lines, the contracts for which provide for the use of toll circuits, should be divided (by estimate, if necessary) between Exchange Revenue and Toll Revenue.

#### 513. *Telegraph Tolls.*

This account should include all revenues received from telegraph companies for the use of toll lines for telephoning telegrams and cablegrams.

#### 514. *Telegraph Service on Toll Lines.*

This account should include all revenues derived from the use of toll lines for telegraph circuits whether such lines are used by telegraph companies, brokers, or others.

#### 515. *Minor Rents of Toll Plant.*

This account should include all revenues derived from attachments to toll poles, the use of toll conduits, and other minor rents from toll plant where such property is maintained by the accounting company, and the cost of such maintenance can not be separated from expense of maintaining the rented property. This account should not include rents from equipment leased to licensees under an arrangement for a division of revenues as provided for in account No. 526, "Licensee Revenue—Cr."

#### 516. *Other Toll Line Revenues.*

This account should include all toll line revenues not provided for elsewhere.

## III. MISCELLANEOUS OPERATING REVENUES.

### 520. MESSENGER SERVICE.

This account should include all revenues derived from messenger service.

### 521. TELEGRAPH COMMISSIONS.

This account should include all commissions receivable for the collection of telegraph and cable tolls on messages transmitted between telegraph offices and their patrons and upon which the accounting company undertakes to make collection.

### 522. OTHER TELEGRAPH SERVICE CHARGES.

This account should include all revenues (not classed as telegraph commissions or telegraph tolls) received from telegraph companies for services rendered by the telephone company's employees in joint telephone offices in connection with telegraph and cable messages, such, for example, as receiving messages from the public and quoting rates.

### 523. ADVERTISING AND DIRECTORY.

This account should include all revenues derived from advertising in directories and elsewhere.

### 524. RENTS FROM OTHER OPERATING PROPERTY.

This account should include all revenues accruing from the rent of buildings and other property (except leased wires, poles, conduits, and equipment covered by accounts No. 505, "Minor Rents of Exchange Plant," and No. 515, "Minor Rents of Toll Plant,"), when such property is used also by the company and the expense of maintaining and operating the rented portion can not be separated from the total expense.

### 525. OTHER MISCELLANEOUS REVENUE.

This account should include all miscellaneous operating revenues not provided for elsewhere. This account does not include nonoperating revenue as provided for in accounts Nos. 310 to 316, inclusive.

### 526. LICENSEE REVENUE—CR.

When a telephone company grants to another telephone company the use of its patents or furnishes instruments and equipment and general supervision under an agreement for apportioning the revenues of the licensee, the proportion accruing to the licensor should be included by the licensor in this account.

### 527. LICENSEE REVENUE—DR.

When a telephone company is granted by another telephone company the use of its patents, or is furnished instruments and equipment and general supervision under an agreement for apportioning the revenues of the licensee, the proportion accruing to the licensor should be included by the licensee in this account.

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# INSTRUCTIONS PERTAINING TO OPERATING EXPENSE ACCOUNTS.

21. **Repairs defined.**—Repairs, as used in the text of the various operating expense accounts, includes ordinary and extraordinary repairs.

Ordinary repairs include:

- (a) Testing for, locating, and clearing crosses, breaks, grounds, and other line troubles, including routine work intended to prevent such troubles, as, for example, pulling up slack, tightening guys and resetting guy stubs, trimming trees, straightening poles and cross arms, and cleaning and adjusting apparatus;
- (b) Replacements of minor or short-lived parts of structures, equipment, or facilities;
- (c) Replacements of minor parts of wire plant or equipment made necessary by reason of faulty adjustments, excessive strains, mechanical injuries, or other minor casualties, not provided against in the charge for depreciation of plant and equipment;
- (d) Rearrangements and changes in location of plant, except subscribers' station equipment (for which a special account is provided). This includes rearrangements of circuits, reassociation of party lines, rearranging grouping of trunks and calling circuits, recross connecting on distributing frames, rerunning jumper wires, underlining switch-board jacks, etc., together with materials used for such purposes which do not add to the tangible value of such plant;
- (e) Recovering salvage and removing retired or abandoned property; (except subscribers' station equipment) when such costs are not provided for by the depreciation reserve.

Ordinary repairs are not required to be taken into account in fixing a rate of depreciation.

Extraordinary repairs include:

- (a) Restoring to an efficient or proper condition buildings, structures, or other units of property which have deteriorated;
- (b) Substituting, in order to maintain normal efficiency, new parts for old parts of continuous structures, such as pole lines, cables, wires, conduits, etc., where such substitutions do not amount to a practical replacement of any considerable length of such continuous structures;
- (c) Restoring the condition of property damaged by storms, floods, fire, or other casualties;
- (d) Recovering salvage and removing retired or abandoned property in connection with above work.

Extraordinary repairs should be provided for by adequate charges to depreciation.

When it is necessary substantially to reconstruct or to replace a major portion of any unit of property or any important section of a continuous structure, the cost should be handled through the capital accounts; that is, the cost of the property removed or replaced should be credited to the appropriate fixed capital accounts and the new property should be charged thereto.

All repairs, whether ordinary or extraordinary, should be charged to the appropriate primary operating expense accounts. Extraordinary repairs for which a reserve has been provided should then be concur-

rently charged to account No. 102, "Reserve for Accrued Depreciation—Cr.," and credited to account No. 611, "Repairs Charged to Reserves—Cr."

22. **Cost of repairs.**—The cost of repairs, as used in the text of the various operating expense accounts, should be understood to include the wages, salaries, and fees paid employees directly engaged in the work of repairs, personal expenses of such employees when borne by the company, and the cost of materials and supplies consumed and the expenses of facilities employed in making the repairs less the value of any salvage recovered. It includes also the cost of direct supervision, such as of foremen or superintendents of repair gangs, but does not include the cost of general supervision as provided for in account No. 601, "Supervision of Maintenance."

23. **Depreciation of plant and equipment.**—Telephone companies should include in operating expenses depreciation charges for the purpose of creating proper and adequate reserves to cover the expenses of depreciation currently accruing in the tangible fixed capital. By *expense of depreciation* is meant—

- (a) The losses suffered through the current lessening in value of tangible property from wear and tear (not covered by current repairs).
- (b) Obsolescence or inadequacy resulting from age, physical change, or supersession by reason of new inventions and discoveries, changes in popular demand, or public requirements, and
- (c) Losses suffered through destruction of property by extraordinary casualties.

The amount charged as expense of depreciation should be based upon rules determined by the accounting company. Such rules may be derived from a consideration of the company's history and experience. Companies should be prepared to furnish the Commission, upon demand, the rules and a sworn statement of the facts, expert opinions, and estimates upon which they are based.

The estimate for depreciation of physical property should take into account—

- (a) The gradual deterioration and ultimate retirement of units of property which may be satisfactorily individualized, such as buildings, machines, valuable instruments, etc., to the end that by the time such units of property go out of service there shall have been accumulated a reserve equal to the original money cost of such property plus expenses incident to retirement less the value of any salvage.
- (b) The depreciation accruing in property which can not be readily individualized, such as pole lines, wires, cables, or other continuous structures, where expenditures for repairs or replacements of individual parts ordinarily are not actually made until the later years of the life in service of such property, and when made may, therefore, be classed as extraordinary repairs.

The rate of depreciation should be fixed so as to distribute, as nearly as may be, evenly throughout the life of the depreciating property the burden of repairs and the cost of capital consumed in operations during a given month or year, and should be based upon the average life of the units comprised in the respective classes of property.

The amount estimated to cover the expense of depreciation of fixed capital should be charged monthly to account No. 608, "Depreciation of Plant and Equipment" (or to the appropriate clearing account or accounts), and concurrently credited to account No. 102, "Reserve for Accrued Depreciation—Cr."

Account No. 413, "Realized Depreciation not Covered by Reserves," is provided in the Corporate Surplus or Deficit account for charges for realized depreciation on tangible fixed capital retired when such depreciation occurred prior to the establishment of account No. 102, "Reserve for Accrued Depreciation—Cr.," or has not been provided for by credits to that account.

24. **Extraordinary casualties and unanticipated reconstruction.**—If so authorized, upon application to the Commission, the company granted such authority may charge the amount named in the authorization to a suspense account for the purpose of distributing over a limited period an extraordinary loss of such a nature that it can not be anticipated by the exercise of reasonable prudence. Losses of this sort may be due to the requirement by lawful authority or public necessity of improvements involving the abandonment of a considerable portion of plant and equipment before it has attained its normal life in service, or to an extraordinary casualty entirely unforeseen and unprovided for. The original cost of the property so abandoned or destroyed should be credited to the fixed capital accounts in which it was carried, and such portion of the cost as may be authorized by the Commission may be charged to the suspense account, the remainder of the cost, less any salvage, being charged out as elsewhere provided in case of retirements of property. The suspense account so raised should be credited and account No. 609, "Extraordinary Depreciation," debited monthly with such an amount as will, through its regular application, amortize the amount of the loss at the end of the period designated.

All ordinary casualties (those which occur with such frequency that the principles of insurance are applicable thereto) should be provided for through an insurance reserve maintained for such losses or be included in the provision for depreciation of plant and equipment.

25. **Joint operating expenses.**—When any operating expense is incurred by the accounting company for the joint benefit of itself and others under an agreement for apportioning such expenses the company charging such expenses to others should credit such amounts to its primary expense accounts to which the expenses were charged when incurred. The debtor company should charge the amounts so billed to its primary expense accounts. Bills rendered by the operating company for joint expenses should show the expenses in detail.

The amounts so handled through the expense accounts should not include any allowance for profit or return upon the value of the property used; such allowance, if any, should be credited by the payee to the appropriate rent revenue account and charged by the payor to the appropriate rent deduction account.

## TEXT EXPLANATORY OF OPERATING EXPENSE ACCOUNTS.

### I. MAINTENANCE EXPENSES.

#### 601. SUPERVISION OF MAINTENANCE.

This account should include the pay and office and traveling expenses of superintendents and their assistants when directly in charge of maintenance of telephone plant, including general, division, and district plant superintendents, engineers, architects, and their office and field forces; the cost of repairing drafting and engineering instruments, and the original cost of such instruments as are not properly chargeable to fixed capital accounts; the cost of office and other supplies used by officers and employees whose salaries are charged to this account; janitor service, light, heat, and miscellaneous office expenses where separate offices are maintained for such employees; also that portion of the salaries and expenses of the general engineering staff of the company which is assignable to maintenance.

#### 602. REPAIRS OF AERIAL PLANT.

This account should include the cost of repairs of all plant classified as aerial plant, such as poles, towers, cross arms, pins, brackets, and other pole fixtures; braces, guy wires, guy stubs, and other pole supports; aerial cables, and the suspension wires, bolts, clamps, rings, hangers, etc., used to attach cables to poles, towers, or other supports; aerial cable loading coils, cable boxes, and their appurtenances; and aerial telephone wires, drop wires, tie wires, insulators, and sleeves. It includes also the cost of trimming trees and clearing and removing obstructions from right of way for aerial plant, other than the cost of first clearing right of way.

#### 603. REPAIRS OF UNDERGROUND PLANT.

This account should include the cost of repairs of all plant classified as underground plant, such as underground conduits and their appurtenances; underground cables, submarine cables, and the loading coils, towers, boxes, and fittings belonging to such cables. It also includes the cost of repairing right of way for underground and submarine cables, and the cost of repaving after repairs of underground conduits.

#### 604. REPAIRS OF CENTRAL OFFICE EQUIPMENT.

This account should include the cost of repairing telephone equipment in central telephone offices, such as switchboards, monitors' and supervisors' desks, testing outfits, main and intermediate frames, cables, and jumper wires, call registers and meters, relay racks and coil racks; equipment for generating and regulating power for telephone purposes, such as batteries, engines, motors, generators, rectifiers, transformers, meters, fuses, and protectors; telephone and telegraph instruments and other



electrical instruments and apparatus in the central office; equipment for operators' schools and rest rooms, and furniture and fixtures required for the uses or convenience of the operating forces.

#### 605. REPAIRS OF STATION EQUIPMENT.

This account should include the cost of repairing station apparatus, such as telephone sets, intercommunicating sets, bells, backboards, desk stands, coin boxes, protectors, battery boxes, batteries, cords, and telephone and telegraph instruments or parts thereof; interior block wires; private branch exchange switchboards, distributing frames, and switchboard cables, and booths and special fittings for same, such as desks, chairs, fans, and cash registers.

NOTE.—The cost of renewals of batteries at stations is not chargeable to this account, but to account No. 628, "Transmission Power."

#### 606. REPAIRS OF BUILDINGS AND GROUNDS.

This account should include the cost of repairing general offices, central offices, test stations, or other telephone offices and the fixtures (except telephone apparatus) therein, such as elevators, plumbing, apparatus for heating, lighting, ventilating, and power; and the cost of maintaining yards and grounds, with their fences, sidewalks, sewers, etc., appurtenant to such buildings. Charge also to this account the cost of repairing shops, stores, stables, and garages, and permanent fixtures therein.

#### 607. STATION REMOVALS AND CHANGES.

This account should include the cost of disconnecting and removing and of changing the location of all plant classified as subscribers' station equipment (as defined in account No. 230, "Station Equipment"), including freight and cartage on such equipment and material as is sent to storehouse.

(1) When stations are removed (not merely changed in location) from subscribers' premises, the original cost (estimated, if not known) of the station should be credited to the appropriate fixed capital accounts, and the cost of the instruments, private branch exchange apparatus, booths, and fittings should be charged to account No. 122, "Materials and Supplies," while the cost of installation, including inside wires, or interior block wires, and that portion of aerial wire which could be used only at the subscribers' premises from which the station is removed, less the value of any salvage, should be charged to this account.

NOTE.—When extensive replacements are made of subscribers' station equipment, or of drop or block wiring taken out of service because of inadequacy, or obsolescence, as when a magneto system is changed to a common battery or when open wire distribution is replaced by interior block construction, the cost of making such replacements should be handled through the regular construction and depreciation accounts, and should not be included in the above account.

(2) If wiring left from previous installations is reused either on same or other premises, the gain should be credited to this account. This includes the gain on inside wires and interior block wires and on that portion of aerial wire which could be used only at subscribers' premises.

(3) When stations are disconnected but left on premises, charge to this account the cost of disconnecting, and when reconnected, the cost of reconnecting.

(4) When station location or service is changed, charge to this account the cost of such changes, less the amount, if any, properly chargeable to fixed capital accounts for actual additions to plant.

(5) Credit to this account amounts charged subscribers for moves and changes.

#### 608. DEPRECIATION OF PLANT AND EQUIPMENT.

Charge to this account monthly the amount estimated to be necessary to cover the depreciation accruing during the month in the company's tangible fixed capital (except depreciation provided in "Clearing Accounts," Nos. 701, 702, and 703). Amounts charged to this account should be concurrently credited to account No. 102, "Reserve for Accrued Depreciation—Cr." (See sec. 23, p. 67.)

#### 609. EXTRAORDINARY DEPRECIATION.

This account should be charged monthly with such an amount as will, through its regular application, amortize any amount that may be carried in suspense on account of extraordinary casualties and unanticipated reconstruction. (See sec. 24, p. 68.)

#### 610. OTHER MAINTENANCE EXPENSES.

This account should include cost of repairing telephone plant and equipment not provided for elsewhere.

#### 611. REPAIRS CHARGED TO RESERVES—Cr.

Credit to this account and charge concurrently to account No. 102, "Reserve for Accrued Depreciation—Cr.," an amount equal to the cost of extraordinary repairs made for which provision had been made in that reserve; also, credit to this account and charge concurrently to the insurers or to the insurance reserve an amount equal to the cost of repairs made necessary by casualties, when such cost is covered by insurance or an insurance reserve. (See sec. 21, p. 66.)

## II. TRAFFIC EXPENSES.

#### 620. CENTRAL OFFICE SUPERINTENDENCE.

This account should include the cost of all central office superintendence as provided in the following subaccounts:

##### 621. Traffic Superintendence.

This account should include the pay and traveling expenses of officers and their assistants when directly in charge of traffic, either for the company as a whole or a territorial subdivision;

also cost of office supplies, stationery, and printing; janitor service, light, heat, and miscellaneous office expenses if separate offices are maintained for such employees.

622. *Service Inspection.*

This account should include the pay and expenses of service inspection forces, including all employees on this work not engaged in the regular handling of the traffic.

623. *Clerical Operating Wages.*

This account should include the pay of clerks, stenographers, and office boys engaged in traffic work in central office operating rooms.

624. *OPERATORS' WAGES.*

This account should include the pay of chief operators, assistant chief operators, monitors, supervisors, information operators, directory operators, operators employed in the distribution of tickets to other operators, operators engaged in quoting toll rates and charges, switchboard operators, telegraph operators, and all other operators employed in the operation of the central office equipment.

625. *CENTRAL OFFICE SUPPLIES AND EXPENSES.*

This account should include the cost of all central office supplies and expenses as provided in the following subaccounts:

626. *Rest and Lunch Rooms.*

This account should include the cost of operating the retiring, rest, and lunch rooms for central office employees, including the cost of lunches provided for such employees. Credit to this account amounts received for lunches served.

627. *Operators' Schooling.*

This account should include the expenses of training new operators (whether a school is maintained or not), including wages paid them for which no service is rendered, the salaries and expenses of instructors, and supplies furnished to schools for operators.

628. *Transmission Power.*

This account should include the cost of power purchased for transmitting traffic and for operating signals; the cost of renewing local and central office batteries; and the cost of labor employed and supplies consumed in operating the generating plant and storage batteries for transmitting current or for operating signals.

629. *Central Office Stationery and Printing.*

This account should include the cost of all postage, stationery, stationery supplies, and printing for use of central offices.

630. *Messenger Service.*

This account should include pay and expenses of messengers employed in delivering messages and notifying persons of calls at telephone stations.

631. *Miscellaneous Central Office Expenses.*

This account should include the cost of water, ice, fuel, lights, towels, toilet supplies, and of janitor service and other care of central offices.

632. *PAY STATION EXPENSES.*

This account should include all traffic expenses, except commissions and central office operating expenses, incurred in connection with the operation of public pay stations.

633. *OTHER TRAFFIC EXPENSES.*

This account should include all traffic expenses not elsewhere provided for.

NOTE.—Rent paid for central offices is chargeable to account No. 331, "Rent Deductions for Telephone Offices," and not to this account.

### III. COMMERCIAL EXPENSES.

640. *COMMERCIAL ADMINISTRATION.*

This account should include the pay and expenses of officers and their office forces directly in charge of the commercial department, either for the company as a whole or for a territorial subdivision; the pay and expenses of employees when engaged in preparing contract orders, handling unsolicited contracts or contract changes including miscellaneous relations with subscribers and patrons not specifically assignable to promotion, collection, or directory expenses. Charge also to this account the cost of postage, printing, and stationery; janitor service, light, heat, and miscellaneous office expenses if separate offices are maintained for such employees.

NOTE.—This account may include the entire pay and expenses of employees of the commercial department who are only incidentally engaged in duties in connection with promotion, collection, and directories; if such employees are assigned all or part of their time to such duties their pay and expenses should be charged proportionately to the accounts provided for such expenses.

641. *PROMOTION EXPENSES.*

This account should include the pay and expenses of employees and the cost of demonstrations, advertising, and canvassing designed to promote the extension of the company's business, as provided for in the following subaccounts:

642. *Advertising.*

This account should include salaries and expenses of the advertising manager, his assistants and clerks; cost of commercial advertisements in newspapers or magazines; posters, bulletins, advertising sundries, booklets, and all related items; also minor rents and cost of installing and operating telephones in public places wholly for demonstration purposes.

643. *Canvassing.*

This account should include expenses incurred in soliciting new business or for changing or renewing existing service, including the pay and expenses of canvassers.

644. *Sublicensee Relations.*

This account should include expenses incurred in developing the exchange of business with sublicensee companies and independent connecting telephone companies.

645. *COLLECTION EXPENSES.*

This account should include the cost of accounting for and collecting the revenues of the company, as provided for in the following subaccounts:

646. *Revenue Accounting.*

This account should include the cost of keeping accounts with subscribers and rendering bills for revenue service, including the cost of postage, stationery, and printing, and pay and expenses of bookkeepers and all clerks in accounting department having to do with subscribers' accounts.

647. *Revenue Collecting.*

This account should include the expenses of the collection bureau, including postage, stationery, and printing, collectors' salaries or commissions, car fares, cost of badges, and of delivering bills.

648. *Pay Station Commissions.*

This account should include commissions allowed for handling exchange and toll service messages from public pay stations.

649. *DIRECTORY EXPENSES.*

This account should include the cost of preparing, printing, and distributing directories, including the cost of soliciting advertisements for directories. (See account No. 132, "Prepaid Directory Expense.")

650. *OTHER COMMERCIAL EXPENSES.*

This account should include all commercial expenses not provided for elsewhere.

#### IV. GENERAL AND MISCELLANEOUS EXPENSES.

660. *GENERAL OFFICE SALARIES.*

This account should include the matters provided for in the following subaccounts:

661. *Salaries of General Officers.*

This account should include the salaries of the chairman of the board, president, vice president, secretary, treasurer, comptroller, general auditor, general manager, general superintendent, and all other officers whose jurisdiction extends to the operations of the company as a whole.

662. *Salaries of General Office Clerks.*

This account should include the salaries and wages of bookkeepers, paymasters, cashiers, stenographers, and all other clerks employed in the general office, except those engaged in revenue accounting and collecting.

663. *GENERAL OFFICE SUPPLIES AND EXPENSES.*

This account should include the matters provided for in the following subaccounts:

664. *Expenses of General Officers and Clerks.*

This account should include the traveling and incidental expenses of general officers and other general office employees.

665. *General Office Stationery and Printing.*

This account should include the cost of all postage, stationery, stationery supplies, and printing for use in general offices, except that used in revenue accounting and collecting.

666. *Other General Office Supplies and Expenses.*

This account should include the cost of office supplies (other than postage, stationery, and printing), repairs of office furniture and replacements of such furniture as has not been capitalized; cost of telegrams and of any special telephone service; wages of janitors, porters, and messengers; and other miscellaneous expenses of general offices.

NOTE.—Rents of general offices (less such estimated cost, if any, as is included to cover the expense of furnishing, heating, and lighting them by the lessor) should be charged to account No. 331, "Rent Deductions for Telephone Offices."

667. *GENERAL LAW EXPENSES.*

This account should include all law expenses (except those incurred in the defense and settlement of damage claims), including pay and expenses of all counsel, solicitors, and attorneys, their clerks and attendants, janitor service, light, heat, and other expenses of their offices; cost of law books, printing briefs, legal forms, testimony, reports, etc.; fees and retainers for services of attorneys not regular employees; court costs and payments of special, notarial, and witness fees not provided for elsewhere; expenses connected with taking depositions; and all law and court expenses not provided for elsewhere.

NOTE.—The compensation of the general solicitor or counsel or other attorneys engaged partly in the defense or settlement of damage suits and partly in other legal work should be properly apportioned between this account and account No. 670, "Law Expenses Connected with Damages."

668. *INSURANCE.*

This account should include premiums paid to insurance companies for fire, fidelity, boiler, casualty, burglar, and all other insurance. Charge also to this account and credit account No. 169, "Insurance and Casualty Reserves," amounts set aside as an insurance reserve.

This account should be credited and the proper fixed capital account or accounts concurrently charged with the cost of insurance applicable to construction work.

NOTE.—In annual reports to the Commission the company will be required to report the charges made to this account for the various kinds of insurance, and for self-insurance.

## 669. ACCIDENTS AND DAMAGES.

This account should include all expenses (other than law expenses) incurred on account of persons killed or injured and on account of property of others damaged when such expenses have not been provided for by insurance or by a reserve. It includes the pay and expenses of claim agents, investigators, and adjusters; wages paid employees if absent on account of injury; fees and expenses of surgeons and doctors; nursing, hospital attendance, medical and surgical supplies, fees and expenses of coroners and undertakers, and contributions to hospitals; also amounts paid in settlement of personal injury or damage claims.

This account should be credited and the proper subdivisions of fixed capital accounts concurrently charged with the expenses of accidents and damages incident to construction work.

## 670. LAW EXPENSES CONNECTED WITH DAMAGES.

This account should include all law expenses connected with the defense or settlement of damage claims, including a proper proportion of the salaries and expenses of the general solicitor or counsel, and salaries, fees, and expenses of attorneys engaged in this work; fees of court stenographers and other court expenses; the cost of law books, printing briefs, court records, and similar papers in connection with such cases.

This account should be credited and the proper subdivisions of fixed capital accounts concurrently charged with law expenses incident to damage claims arising out of construction work.

## 671. MISCELLANEOUS GENERAL EXPENSES.

This account should include the matters provided for in the following subaccounts:

672. *Relief Department and Pensions.*

This account should include pensions or other benefits paid to employees or representatives of former employees and expenses in connection therewith; salaries and expenses incurred in conducting a relief department, and contributions made to such department.

673. *Telephone Franchise Requirements.*

This account should include the cost of all service and materials and supplies furnished to municipal corporations in compliance with franchise requirements and for which no payment is received by the company; also of all direct expense, such as paving and other like matters, incurred in compliance with such requirements and for which no reimbursement is received by the company. This does not include such expense incurred in connection with construction or repairs, which should be charged to fixed capital or maintenance accounts. Amounts charged to this account for which there is no direct money outlay should be credited to account No. 676, "Telephone Franchise Requirements—Cr."

674. *Amortization of Franchises and Patents.*

This account should include each month the amount necessary to cover such portions of the life of limited franchises and patents as has expired or been consumed during the month. The amount so charged should be concurrently credited to account No. 103, "Reserve for Amortization of Intangible Capital—Cr."

NOTE.—The amount charged to this account should be based upon a rule determined by the accounting company, the purpose and effect of such rule being to accumulate by charges equitably distributed throughout the life of any franchise or patent, a reserve that will, at the expiration of its life, equal the original cost.

675. *Other General Expenses.*

This account should include such incidental general expenses as are not provided for in the foregoing accounts, such as cost of publishing notices of stockholders' meetings, of election of directors, annual reports in newspapers, and of dividends declared, and fees and expenses paid to directors, expenses of transfer agents, and listing of stocks on exchange.

676. *Telephone Franchise Requirements—Cr.*

This account should include the amounts included in account No. 673, "Telephone Franchise Requirements," for which there is no actual money outlay.

## CLEARING ACCOUNTS.

[Required of Class A and Class B Companies.]

The following accounts are provided for certain expenses which usually affect several classes of operations but need to be brought together in one account in order that the total of the expenses may be known and properly distributed.

## 701. SHOP EXPENSE.

This account or appropriate subaccounts should be arranged so as to record separately the expenses of the general shops as follows: (1) Salaries and wages of shop employees; (2) personal and incidental expenses of such employees; (3) materials and supplies for general shop use; (4) repairs of shop tools and machinery; (5) rent paid for shop buildings; (6) depreciation of shop tools, machinery, and appliances.

The shop expense account should be cleared by apportioning the total amount of the expenses to the various jobs on an equitable basis.

## 702. STABLE AND GARAGE EXPENSE.

This account or appropriate subaccounts should be arranged so as to record separately the expenses of stables and garages as follows: (1) Salaries and wages of drivers, chauffeurs, stablemen, garagemen, and other employees in stables and garages;

(2) personal and incidental expenses of such employees; (3) materials and supplies, including fuel and gasoline, harness, tires, and other supplies for stables and garages; (4) repairs of automobiles and other vehicles and harness; (5) rent paid for buildings, horses and vehicles; (6) depreciation on vehicles, horses, harness, etc., including losses unprovided for by reserves or insurance.

Credit to this account any charges for service performed for others.

A record should be kept of the use of teams and automobiles, and the total expense should be apportioned to the proper accounts according to use, or the debits to the expense accounts may be made at rates per hour of service which have been found to be fair and to distribute the total expense equitably.

#### 703. TOOL EXPENSE.

Charge to this account all expense for tools (except shop tools and tools carried as supplies unissued). It includes (1) the cost of small hand tools of which no account is kept after issue; (2) the cost of repairing tools; (3) the cost of tools lost or stolen; (4) depreciation on tools taken out of service because of breakage or other deterioration.

This account should be cleared by adding to the expense of repairs and cost of plant installed such amounts as will equitably distribute the total expense for tools.

#### 704. SUPPLY EXPENSE.

Charge to this account or to appropriate subaccounts all expenses (except insurance and taxes) incurred directly in connection with the purchase, storage, handling, and distribution of materials and supplies and stationery. It includes (1) the pay and expenses of purchasing agents, managers of stores, clerks, and laborers; (2) rents paid for stores; (3) cost of lighting and heating; (4) undistributed transportation charges; (5) discounts recovered through prompt payment of bills for materials and supplies when such discounts can not be assigned to the particular bills; (6) overages or shortages in the materials and supplies account disclosed by inventories which can not be assigned to specific accounts; and (7) the estimated depreciation on materials and supplies due to breakage, leakage, shortage, and wear and tear.

This account should be cleared by adding to the cost of materials and supplies passing through stores a suitable loading charge which will equitably distribute the total cost of conducting the stores and by adding to the cost of such supplies as are bought by the purchasing department a pro rata share of the total expense for the purchasing department.

#### 705. ENGINEERING EXPENSE.

Charge to this account or to appropriate subaccounts all expenses for engineering so as to show separately the following: (1) Salaries and wages; (2) personal and incidental expenses of engineering department employees; (3) rent paid for office and (4) office expenses.

This account should be cleared by apportioning the total expenses to operating expenses and fixed capital accounts on the basis of service rendered, as determined by the actual time devoted to particular jobs or on an equitable basis fixed by the officers of the company.

#### 706. PLANT SUPERVISION EXPENSE.

Charge to this account the cost of general supervision of the maintenance and construction of the plant where a separate department of the company's organization is charged with such supervision. It includes the pay and expenses of the plant supervising officers, such as the general plant superintendent, district plant superintendent, plant engineers and their office and field forces, charged with planning for and superintending the work of maintenance and plant construction.

This account or appropriate subaccounts should be so arranged as to show in detail the expenses of the plant supervision department as follows: (1) Salaries and wages; (2) personal and incidental expenses of employees; (3) rent paid for offices; and (4) office expenses.

This account should be cleared by charging directly to the appropriate accounts such expenses as can be allocated to particular pieces of work and by charging out the balance on the basis of labor employed in all construction or maintenance work in progress.

NOTE.—The pay of general foremen and foremen in direct charge of jobs should be included in the cost of the job and not charged to this account.

#### 707. HOUSE SERVICE EXPENSE.

This account should include the expenses pertaining to the operation of offices and buildings, whether owned or rented by the company, when such expenses can not be allocated as they accrue to the operating expense accounts and other accounts. This account includes fuel, heat, light, power, elevator service, janitor service, and like expenses, but does not include rents, insurance, taxes, and maintenance expenses.

This account should be cleared by apportioning the entire expense to the operating expenses and other accounts on basis of the use made of such property.



SUPPLEMENT TO FIRST ISSUE  
OF THE  
**UNIFORM SYSTEM OF ACCOUNTS**  
FOR  
**TELEPHONE COMPANIES**

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**CLASS A AND CLASS B**

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AS PRESCRIBED BY THE  
**INTERSTATE COMMERCE COMMISSION**  
IN ACCORDANCE WITH SECTION 20 OF THE  
ACT TO REGULATE COMMERCE

---

**Effective on January 1, 1915**



WASHINGTON  
GOVERNMENT PRINTING OFFICE  
1914

**SCHOOL OF BUSINESS  
COLUMBIA UNIVERSITY**

THE INTERSTATE COMMERCE COMMISSION.

JAMES S. HARLAN, *of Illinois.*

JUDSON C. CLEMENTS, *of Georgia.*

EDGAR E. CLARK, *of Iowa.*

CHARLES C. MCCHORD, *of Kentucky.*

BALTHASAR H. MEYER, *of Wisconsin.*

HENRY C. HALL, *of Colorado.*

WINTHROP M. DANIELS, *of New Jersey.*

GEORGE B. MCGINTY, *Secretary.*

(2)

ORDER.

At a General Session of the INTERSTATE COMMERCE COMMISSION, held at its office in Washington, D. C., on the 22d day of December, 1914.

The subject of a Uniform System of Accounts to be prescribed for and kept by telephone companies being under consideration, the following order was entered:

*It is ordered,* That the Supplement to the First Issue of the Uniform System of Accounts for Telephone Companies, Class A and Class B, with the text pertaining thereto, a copy of which is now before this Commission, be, and the same is hereby, approved; that a copy thereof, duly authenticated by the Secretary of the Commission be filed in its archives, and a second copy thereof, in like manner authenticated, in the office of the Division of Carriers' Accounts; and that each of said copies so authenticated and filed shall be deemed an original record thereof.

*It is further ordered,* That the said Supplement, with the text pertaining thereto, be, and the same is hereby, prescribed for the use of Class A and Class B telephone companies (those having annual operating revenues exceeding \$50,000), subject to the provisions of the Act to Regulate Commerce as amended; and that a copy of the said Supplement be sent to each and every such carrier and to each and every receiver or operating trustee of any such carrier.

*It is further ordered,* That January 1, 1915, be, and is hereby, fixed as the date on which the said Supplement shall become effective.

By the Commission:

[SEAL.]

GEORGE B. MCGINTY,  
*Secretary.*

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(3)

## INTRODUCTORY LETTER.

INTERSTATE COMMERCE COMMISSION,  
DIVISION OF CARRIERS' ACCOUNTS,  
*Washington, December 22, 1914.*

### TO CLASS A AND CLASS B TELEPHONE COMPANIES:

The Uniform System of Accounts for Telephone Companies, Class A and Class B, became effective on January 1, 1913.

It is found advisable to add an additional balance-sheet account to take care of deferred credit items not covered by accounts Nos. 168, 169, and 170. Account No. 170A, "Other deferred credit items," is added to cover suspense account credit balances that are not provided for elsewhere.

With this exception, no changes have been made in the Uniform System of Accounts for Telephone Companies, Class A and Class B.

FRED W. SWENEY,  
*Chief Examiner of Accounts.*

SUPPLEMENT TO THE FIRST ISSUE OF THE UNIFORM  
SYSTEM OF ACCOUNTS FOR TELEPHONE COMPANIES,  
CLASS A AND CLASS B.

**BALANCE-SHEET ACCOUNTS.**

Add the following to the text explanatory of balance-sheet accounts  
on page 29:

**170A. OTHER DEFERRED CREDIT ITEMS.**

This account shall include suspense account credit balances  
that can not be entirely cleared and disposed of until additional  
information is received, and other items of the nature of deferred  
credits not provided for elsewhere. It should include such mat-  
ters as credit balances in clearing accounts, items awaiting  
adjustment between accounts, amounts to be spread over a  
stated period not provided for elsewhere, and similar items.

(7)

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INTERSTATE COMMERCE COMMISSION

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RULES  
GOVERNING THE  
CLASSIFICATION  
OF TELEPHONE EMPLOYEES

---

EFFECTIVE AS OF JULY 1, 1917



WASHINGTON  
GOVERNMENT PRINTING OFFICE  
1917

SCHOOL OF BUSINESS  
COLUMBIA UNIVERSITY



INTERSTATE COMMERCE COMMISSION

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RULES

GOVERNING THE

CLASSIFICATION  
OF TELEPHONE EMPLOYEES

---

EFFECTIVE AS OF JULY 1, 1917



WASHINGTON  
GOVERNMENT PRINTING OFFICE  
1917

THE INTERSTATE COMMERCE COMMISSION.

HENRY C. HALL.  
EDGAR E. CLARK.  
JAMES S. HARLAN.  
CHARLES C. MCCORD.  
BALTHASAR H. MEYER.  
WINTHROP M. DANIELS.

GEORGE B. MCGINTY, *Secretary.*

(2)

ORDER.

At a General Session of the INTERSTATE COMMERCE COMMISSION, held at its office in Washington, D. C., on the 13th day of July, A. D. 1917.

*Ordered,* That the rules entitled "Rules governing the classification of telephone employees" be approved, effective as of July 1, 1917, and that all telephone companies within the scope of section 20 of the Act to Regulate Commerce as amended be governed by the said rules in the preparation and submission of their annual reports to the Interstate Commerce Commission.

By the Commission.

[SEAL.]

GEORGE B. MCGINTY,  
*Secretary.*

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(3)

## RULES GOVERNING THE CLASSIFICATION OF TELEPHONE EMPLOYEES.

*Effective as of July 1, 1917.*

**1. Definition of employees.**—For the purpose of statistical count and classification the word *employees*, as used herein, is intended to include all persons in the service of the reporting telephone company subject to its continuing authority to supervise and direct the manner of rendition of their service, regardless of the fact that certain of such persons may be devoting part time only to the service of the company; may be employed for temporary periods; or may be absent temporarily on leave (e. g., vacation) or on account of disability due to accident or sickness. It is intended to exclude persons engaged to render only specifically defined service and not subject to the continuing authority of the company to supervise and control their acts, such as independent contractors performing specific work or services for the company but not under its direct control and management; also persons who receive only a royalty or retainer from the company; pensioners not required to render service; persons absent on definitely granted leave without pay and not subject to call for duty; and persons temporarily laid off from service. Persons on vacation, whether with or without pay, should be considered employees if subject to call for duty.

**2. Counting employees.**—Section 20 of the Act to Regulate Commerce requires that telephone companies in their annual reports to the Interstate Commerce Commission shall state "the number of employees and the salaries paid each class." The number of employees being likely to fluctuate, telephone companies are required to classify and count their employees, male and female separately, at two different times each year; viz, as of the end of each of the months of June and December. The last day of the month shall be considered the end of the month, except when it falls on a Sunday or a holiday, in which case the count shall be made as of the last preceding business day. Every person sustaining to the telephone company the relation of employee, as defined in section 1 above, shall be included in the count.

**3. Joint employees.**—Each person (except as provided in the next succeeding paragraph) *concurrently* engaged under a joint arrangement in the service of two or more telephone companies, shall be considered a joint employee and shall be counted by each telephone company involved in such joint service arrangement and represented in its return of the number of employees by a fraction based on the number of telephone companies served. For example, if such an employee is in the service of three telephone companies, each such company shall report him under the number of employees as one-third of an employee. If, however, the entire compensation of an employee concurrently engaged in the service of two or more telephone companies is borne by a single telephone company, he shall, for the purpose of these returns, be treated as an employee of that company and not as a "joint" employee.

A person employed by and serving two or more telephone companies in the capacity of a general officer but acting *independently* for each company shall be counted and reported as one employee by each company. The term "general officer" as here used means an officer serving a company in such a capacity as that of president, vice president, secretary, treasurer, general counsel, general solicitor, controller, general auditor, general manager, or chief engineer.

**4. Classification of employees with respect to character of service.**—Employees shall be classified with respect to character of service rendered in accordance with the definitions of classes given below. Where an employee's duties are such as to make him includable in two or more classes he shall be counted under that classification indicated by the preponderating character of his work, and the return of his rate of compensation shall be assigned to the same classification.

#### 1. GENERAL OFFICERS AND ASSISTANTS.

Include under this head employees engaged in the general supervision of the affairs of a company as a whole, together with their special staff assistants, and those engaged in the supervision of a general department of a company, such as president, assistants to president, vice presidents, assistants to vice presidents, secretary, assistant secretaries, treasurer, assistant treasurers, general counsel, general solicitor, controller, general auditor, general manager, or chief engineer.

#### 2. OPERATING OFFICIALS AND ASSISTANTS.

Include under this head employees engaged in, and responsible for, the administration of an entire operating department of a company or a division or district thereof, and those engaged either in the supervision of certain phases of the work of an operating unit or in staff or research work incidental thereto, such as general, di-

vision, and district commercial, plant and traffic superintendents, superintendents of construction, maintenance, and buildings and supplies, purchasing agents, supervisors of directories, and advertising managers.

NOTE.—The general manager shall be included in Group 1.

#### 3. ATTORNEYS AND RIGHT-OF-WAY AGENTS.

Include under this head employees regularly engaged in legal work on behalf of the company, those engaged in negotiations with official public bodies and individual or corporate property owners for the purpose of securing right-of-way privileges, tax attorneys, tax agents, etc.

NOTE.—The administrative head of the legal department shall be included in Group 1.

#### 4. ENGINEERS.

Include under this head employees engaged in the supervision of the engineering work of a departmental or territorial unit, and those who direct surveys or field work, prepare designs, plans, estimates or specifications, or make technical studies and investigations in connection with the development, construction, modification, maintenance, or operation of telephone plant; such as engineers of outside plant, engineers of inside plant, traffic engineers, building engineers, appraisal engineers, power and light engineers, fundamental plan engineers, division plant engineers, and district plant engineers.

NOTE.—The administrative head of the engineering department shall be included in Group 1.

#### 5. DRAFTSMEN, SURVEYORS, AND STUDENT ENGINEERS.

Include under this head employees engaged, in field or office, in elementary technical work in connection with the development, construction, modification, maintenance, or operation of telephone plant, such as chief draftsmen, draftsmen, fieldmen, surveyors, rodmen, chainmen, and student engineers.

#### 6. ACCOUNTANTS.

Include under this head employees engaged in directing the disbursement or revenue accounting of an entire company or at an accounting center, and those engaged in directing or making audits or in special staff or research work in telephone accounting and statistics, such as auditors of disbursements, auditors of receipts, division auditors of receipts, division revenue supervisors, disbursement supervisors, chief traveling auditor, traveling auditors, statisticians, and other special accountants.

NOTE A.—The administrative head of the accounting department shall be included in Group 1.

NOTE B.—Employees whose duties are primarily those of a bookkeeper or clerk shall be included in Group 7.

## 7. CLERICAL EMPLOYEES.

Include under this head employees engaged in or supervising general or specialized office work (other than that performed by employees incidentally to their principal duties as indicated by the other groups herein established), such as cashiers, paymasters, bookkeepers, chief clerks, clerks, clerical students, stenographers, typists, messengers, and office boys, etc.

NOTE.—Helpers, apprentices, junior workmen, and other students undergoing specific training, should be classified in accordance with the character of the work for which they are being trained.

## 8. LOCAL MANAGERS.

Include under this head employees engaged in the supervision of, and responsible for, either the commercial or the entire work in the territory covered by a local office, such as managers, commercial managers, and nonfunctional or combination managers.

## 9. COMMERCIAL AGENTS.

Include under this head employees engaged in soliciting, outside collections, and other commercial work of a similar character usually performed outside of the company's offices, such as chief commercial agents, commercial agents, chief contract agents, contract agents, soliciting agents, directory advertising agents, chief collectors, outside collectors, and adjusters.

## 10. EXPERIENCED SWITCHBOARD OPERATORS.

Include under this head all experienced employees engaged in operating or supervising the operation of switchboards or similar auxiliary apparatus, and those in immediate charge of the training school for operators or engaged in giving instructions to students in operating methods, practices, and rules, such as chief operators, supervisors, operators, public telephone attendants, private branch exchange operators, chief instructors, and instructors.

## 11. OPERATORS IN TRAINING.

Include under this head all employees who are taking the school course for operators, also all operating-room employees engaged in operating switchboard or similar auxiliary apparatus, but who are not classed as experienced operators.

## 12. SERVICE INSPECTORS.

Include under this head employees engaged in investigating and adjusting service criticisms and in making special service tests and inspections at subscribers' premises and at central offices, and those engaged in making and recording routine detailed service observations, such as traffic inspectors and service observers.

## 13. SUPERVISING FOREMEN.

Include under this head employees who have immediate charge of unit or gang foremen engaged in the construction, installation, modification, or maintenance of telephone plant, such as general foremen, chief equipment foremen, chief installation foremen, chief line foremen, chief foremen of cablemen, chief foremen of cable splicers, and chief foremen of subway construction.

## 14. CENTRAL OFFICE INSTALLATION AND MAINTENANCE MEN.

Include under this head employees engaged in installing or directing installations of central office equipment, those engaged at central offices in making tests of plant and equipment or in the maintenance of central office equipment, or in immediate charge of such test and maintenance forces, and those engaged in inspecting central office equipment, such as central office installation foremen, central office installers, wire chiefs, test board men, equipment men, automatic and semiautomatic switchmen, central office repairmen, and central office inspectors.

## 15. LINE AND STATION CONSTRUCTION, INSTALLATION, AND MAINTENANCE MEN.

Include under this head employees engaged in the construction, modification, and maintenance of aerial plant, including those in immediate charge of this work and those engaged in its inspection, those engaged in installing station or private branch exchange equipment or in immediate charge of this work, and those engaged in repairing station and private branch exchange equipment and the repair of aerial plant incidental thereto, together with employees at small exchanges who, in addition, repair central office equipment and install station equipment, such as line foremen, linemen, climbers, groundmen, troublemen, line inspectors, station installation foremen, P. B. X and P. A. X. (private automatic exchange) foremen, station installers, P. B. X. and P. A. X. installers and installers' helpers.

NOTE.—Where an employee is assigned both to line and station work and to cable and conduit work, he should be classed in accordance with the preponderating character of his work.

## 16. CABLE AND CONDUIT CONSTRUCTION AND MAINTENANCE MEN.

Include under this head employees engaged in the construction, modification, or maintenance of underground conduit, the placing, rearrangement, or removal of underground, house, block, or submarine cable, or the testing or splicing of cable, and those in immediate charge of one or more phases of this work, such as conduit foremen, masons, masons' helpers, tile layers, concretemen, conduit



laborers, paving foremen, pavers, cable foremen, cablemen, splicing foremen, splicers, and splicers' helpers.

# 17. ALL OTHER EMPLOYEES.

Include under this head employees not provided for in other groups, such as nurses, matrons, teamsters, chauffeurs, yard, shop, and miscellaneous foremen, storekeepers, stable and garage men, shopmen, janitors, porters, watchmen, elevator operators, cooks, waitresses, dishwashers, directory carriers, miscellaneous laborers, etc.

*Grouping of classes of employees for annual reports of telephone companies to Interstate Commerce Commission.*

Group No.	Class A Companies.	Class B Companies.	Class C Companies.
	Title.	Title.	Title.
1	General officers and assistants.	General officers and assistants.	Officers and operating heads.
2	Operating officials and assistants.	Operating officials and assistants.	
3	Attorneys and right-of-way agents.	Attorneys and right-of-way agents.	
4	Engineers.	Engineers, draftsmen, surveyors, and student engineers.	Attorneys, engineers, and accountants.
5	Draftsmen, surveyors, and student engineers.		
6	Accountants.	Accountants.	
7	Clerical employees.	Clerical employees.	Clerical employees.
8	Local managers.	Local managers.	Local managers and commercial agents.
9	Commercial agents.	Commercial agents.	
10	Experienced switchboard operators.	Experienced switchboard operators.	Operators and service inspectors.
11	Operators in training.	Operators in training.	
12	Service inspectors.	Service inspectors.	
13	Supervising foremen.		
14	Central office installation and maintenance men.		
15	Line and station construction, installation, and maintenance men.	Plant construction and maintenance men.	Plant construction and maintenance men.
16	Cable and conduit construction and maintenance men.		
17	All other employees.	All other employees.	All other employees.

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UNIFORM SYSTEM OF ACCOUNTS  
FOR  
TELEGRAPH AND CABLE  
COMPANIES

(EXCLUSIVE OF WIRELESS TELEGRAPH COMPANIES)

AS PRESCRIBED BY THE  
INTERSTATE COMMERCE COMMISSION  
IN ACCORDANCE WITH SECTION 20 OF THE  
ACT TO REGULATE COMMERCE

FIRST ISSUE

EFFECTIVE ON JANUARY 1, 1914



WASHINGTON  
GOVERNMENT PRINTING OFFICE  
1913

SCHOOL OF BUSINESS  
COLUMBIA UNIVERSITY

# THE INTERSTATE COMMERCE COMMISSION.

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 GEORGE B. MCGINTY, Secretary.  
 (2)

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At a General Session of the INTERSTATE COMMERCE COMMISSION, held at its office in Washington, D. C., on the 13th day of October, 1913.

The subject of a Uniform System of Accounts to be prescribed for and kept by telegraph companies and cable companies being under consideration, the following order was entered:

*It is ordered,* That the Uniform System of Accounts for Telegraph and Cable Companies with the text pertaining thereto, embodied in printed form to be hereafter known as First Issue, a copy of which is now before this Commission, be, and the same is hereby, approved; that a copy thereof duly authenticated by the Secretary of the Commission be filed in its archives, and a second copy thereof, in like manner authenticated, in the office of the Division of Carriers' Accounts; and that each of said copies so authenticated and filed shall be deemed an original record thereof.

*It is further ordered,* That the said Uniform System of Accounts for Telegraph and Cable Companies with the text pertaining thereto be, and the same is hereby, prescribed for the use of telegraph companies and cable companies (exclusive of wireless telegraph companies) subject to the provisions of the act to regulate commerce as amended, in the keeping and recording of their accounts; that each and every such carrier and each and every receiver or operating trustee of any such carrier be required to keep all accounts in conformity therewith; and that a copy of the said First Issue be sent to each and every such carrier and to each and every receiver or operating trustee of any such carrier.

*It is further ordered,* That any such carrier or any receiver or operating trustee of any such carrier may subdivide any primary account in the said First Issue established; or may make assignment of the amount charged to any such primary account to operating divisions, to its individual lines, or to States: *Provided, however,* That such subprimary accounts set up or such assignments made by any such carrier or by any receiver or operating trustee of any such carrier shall not impair the integrity of the accounts hereby prescribed.

*It is further ordered,* That in order that the basis of comparison with previous years be not destroyed, any such carrier or any receiver or operating trustee of any such carrier may, during the twelve months from the time that the said First Issue becomes effective, keep

and maintain, in addition to the accounts hereby prescribed, such portion or portions of its present accounts as may be deemed desirable by any such carrier, or by any receiver or operating trustee thereof, for the purpose of such comparison; or, during the same period, may maintain such groupings of the primary accounts hereby prescribed as may be desired for that purpose.

*It is further ordered,* That any such carrier or any receiver or operating trustee of any such carrier, in addition to the accounts hereby prescribed, may, unless otherwise ordered, keep any temporary or experimental accounts the purpose of which is to develop the efficiency of operation: *Provided, however,* That such temporary or experimental accounts shall not impair the integrity of any primary account hereby prescribed.

*It is further ordered,* That January 1, 1914, be, and is hereby, fixed as the date on which the said First Issue of the Uniform System of Accounts for Telegraph and Cable Companies shall become effective. By the Commission.

[SEAL-]

GEORGE B. MCGINTY,  
*Secretary.*

## INTRODUCTORY LETTER.

INTERSTATE COMMERCE COMMISSION,  
DIVISION OF CARRIERS' ACCOUNTS,  
Washington, October 13, 1913.

### TO TELEGRAPH AND CABLE COMPANIES:

This Uniform System of Accounts for Telegraph and Cable Companies is issued in accordance with an order of the Interstate Commerce Commission, the text of which immediately precedes this letter. The act to regulate commerce, as amended, invests the Commission with authority to prescribe the forms of accounts to be kept by telegraph and cable companies subject to the act, and prohibits the use of any accounts other than those prescribed by the Commission. The observance of the rules and regulations stated in this system of accounts therefore becomes obligatory upon persons having direct charge of the accounts of the companies concerned, and such persons will be held responsible for their proper application.

In formulating this system of accounts it has been the endeavor of the Division of Carriers' Accounts to enlist the cooperation of the various telegraph and cable companies. For that purpose Accounting Series Circular No. 31, containing a tentative system of accounts, was submitted to all such companies of which there was record, and due consideration was given to all criticisms and suggestions received.

Accounting officers are invited to correspond with this office should question arise with regard to the correct interpretation of any account or rule herein prescribed, in order that uniformity may be secured in the application of the provisions of the classifications.

FRED W. SWENEY,  
*Chief Examiner of Accounts.*

(7)



## GENERAL INSTRUCTIONS.

Telegraph and cable companies shall keep their records in such manner as to show fully the facts connected with matters covered by the accounts provided herein. When impracticable to record full information in the general books the entries therein shall be supported by other records in which the details shall be fully stated, and the entries in the general books shall contain such reference to the detail records as will enable the user to readily identify the detail records and the matters therein recorded. The detail records shall be filed in such a manner as to be readily accessible for examination by representatives of the Interstate Commerce Commission.

1. **Balance-sheet accounts defined.**—By *balance-sheet accounts* are meant those titles under which the ledger accounts are combined and summarized to show the assets, liabilities, and profit and loss of the business at a given time. Where the title and definition of a balance-sheet account clearly indicate that it is a summary of other accounts, it is not required that a special ledger account shall be raised under such a title to include the balances from the accounts usually carried on the ledger.

2. **Cost or book value of securities owned.**—The term *cost or book value*, as applied to accounts representing securities owned, is intended to recognize the option of the company of carrying its investments in securities either at cost or at a reasonable valuation other than cost. Whenever securities are acquired they are to be entered on the books at cost. If, subsequently, the company desires to adjust their value on account of substantial appreciation or depreciation, the entries in its books, with respect to such securities, as well as its annual report to the Commission, should clearly show the reasons for making the adjustments.

3. **Reacquired securities.**—The capital stock and funded debt liability accounts in the balance sheet are intended to include only the par value of such capital stock or funded debt securities as have been actually issued to bona fide holders for value and are outstanding at the date of the balance-sheet statement, and par value of such securities as have been issued by other companies and have been assumed by the accounting company, and are outstanding.

When capital stock or funded debt securities have been actually issued by the company to bona fide holders for value or (after such issue by another company) have been assumed by the accounting company and after such issue or assumption have been reacquired by the company under circumstances which require that they shall not be treated as paid or retired, they may be charged at par value to the appropriate asset account, but on the balance-sheet statement they should be shown separately as a deduction from both the asset and liability accounts in order that the asset accounts for securities owned shall include only securities of other companies and that the liability accounts for securities issued or assumed shall include only those in the hands of the public.

If any such securities are reacquired for more or less than their par value, the difference between the par value and the cost of reacquirement, after adjust-

ing any amounts carried in the discount and premium accounts or other accounts with respect to such securities, should be debited or credited to Profit and Loss Account, unless reacquired for a sinking or other fund which is required to be represented by a reserve, in which case the difference should be debited or credited to the appropriate reserve account.

4. **Discount and premium on capital stock.**—Ledger accounts should be provided to cover the discounts and premiums on each class of capital stock issued or assumed by the company. By *discount* is meant the excess of the par value of stocks issued or assumed over the actual money value of the consideration received for such stock; by *premium* is meant the excess of the actual money value of the consideration received for stock issued or assumed over the par value of such stock. Entries in these accounts representing discounts should be carried therein until offset (1) by premiums realized on subsequent sales of the same class of stock, (2) by assessments levied on the stockholders, (3) by periodical charges to Profit and Loss or (4) by charges to Profit and Loss upon reacquirement of the stock. Entries in these accounts representing premiums realized should be carried permanently, unless offset (1) by discounts suffered on sales of the same class of stock or (2) by credits to Profit and Loss upon reacquirement of the stock.

If the net of the balances in the discount and premium accounts for all classes of capital stock sold or exchanged is a debit balance, the amount should be included in the balance-sheet statement in account No. 125, "Unextinguished discount on capital stock"; if a credit balance, the amount should be shown in account No. 152, "Premiums on capital stock."

In no case should discount on capital stock be charged to or included in any account as a part of the cost of acquiring any property, tangible or intangible, or as a part of the cost of operation.

5. **Discount, expense, and premium on funded debt.**—Ledger accounts should be provided to cover the discounts, expense, and premiums on each class of funded debt issued or assumed by the company.

By *discount* is meant the excess of the par value of funded debt securities issued or assumed, and the accrued interest thereon, over the actual cash value of the consideration received for such securities; by *premium* is meant the excess of the actual cash value of the consideration received for funded debt securities issued or assumed over the par value of such securities and the accrued interest thereon.

By *expense* is meant all expenses in connection with the issue and sale of evidences of debt, such as fees for drafting mortgages and trust deeds, fees and taxes for recording mortgages and trust deeds; cost of engraving and printing bonds, certificates of indebtedness, and other commercial paper having a life of more than one year; fees paid trustees when provided for in mortgages and trust deeds; fees and commissions paid underwriters and brokers for marketing such evidences of debt; and other like expenses.

If the net balance in any of these accounts is a debit, there should be charged to income account No. 326, "Amortization of debt discount and expense," during each fiscal period (and credited to the discount and premium accounts in which the discount and expense is carried) such proportion of the discount and expense on the outstanding funded debt obligations as may be applicable to that period. This proportion should be determined according to a rule, the uniform application of which throughout the interval between the date of sale and the date of maturity will extinguish the discount and expense on the funded debt. The charge to Income for any period should not exceed the proportion applicable to that period, and a charge should be made for each period so long

as any portion of the discount and expense remains unextinguished. In order that the discount and expense may be extinguished sooner, the company may, at its option, charge to Profit and Loss all or any portion of the discount and expense on funded debt remaining at any time unextinguished.

If the net balance in any of these accounts is a credit, there should be credited to income account No. 327, "Release of premiums on debt—Cr.," during each fiscal period (and debited to the discount and premium accounts in which the premium is carried) such proportion of the premium on outstanding funded debt obligations as may be applicable to that period. This proportion should be determined according to a rule, the uniform application of which throughout the interval between the date of sale and the date of maturity of the debt will extinguish the premium at which such debt was sold.

If the net of the balances in the discount and premium accounts for all classes of funded debt sold or exchanged is a debit balance, the amount should be included in the balance-sheet statement in account No. 126, "Unamortized debt discount and expense"; if a credit balance, the amount should be included in account No. 169, "Unextinguished premium on debt."

No discount and expense on funded debt should be charged to or included in any account as a part of the cost of operation or, except as provided in section 9, page 12, as a part of the cost of acquiring any property, tangible or intangible.

6. **Contingent assets and liabilities.**—Contingent assets and liabilities should not be included in the body of the balance-sheet statement, but should be shown in detail in a supplementary statement accompanying the balance-sheet statement. *Contingent assets* are those without value to the accounting company until the fulfillment of conditions regarded as uncertain. *Contingent liabilities* include items which may, under certain conditions, become obligations of the company, but are neither direct nor assumed obligations on the date of the balance sheet.

7. **Plant and equipment defined.**—The plant and equipment accounts of a company (frequently termed the construction accounts) should include the investment in property, both tangible and intangible, devoted to accomplishment of the purposes of the company's business, and which has an expectation of life in service of more than one year from date of installation in service, excluding hand tools and other small portable tools liable to be lost or stolen.

Plant and equipment consists of *original plant and equipment, additions, betterments, and replacements*, and the cost thereof should be charged as directed below.

*Original plant and equipment* is that installed or acquired prior to the beginning of regular operations by the company. As applied to a telegraph or cable company, it includes the acquisition or construction of the plant necessary to begin the regular telegraph or cable operations. The cost of original plant and equipment should be charged to the appropriate book accounts under account No. 100, "Plant and equipment to January 1, 1914," or to the prescribed plant and equipment primary accounts under account No. 101, "Plant and equipment since December 31, 1913."

*Additions* are structures, facilities, equipment, and other properties added to those in service at the beginning of operations, and not taking the place of any property of like purpose previously held by the company. The cost of additions should be charged to the appropriate plant and equipment primary accounts under account No. 101, "Plant and equipment since December 31, 1913."

*Betterments* are physical changes in structures, facilities, or equipment which have as their primary aim and result the making of the properties affected more useful or of greater capacity than they were at the time of their

installation or acquisition. Of the changes incident to betterments the cost of such portion only as will, when added to the original cost of the property bettered, give the cost of reconstruction in present condition of the property as bettered, should be charged as plant and equipment to the appropriate primary accounts under account No. 101, "Plant and equipment since December 31, 1913." The remainder of the cost of the changes should be classed as a repair and be charged to the appropriate operating expense accounts, or to the reserve account, if provision has been made therein.

**Replacements** are those installations of plant and equipment which have for their purpose the substitution of one building, structure, piece of equipment, or machine for another which it has become necessary to retire, the substitute having substantially no greater capacity than the plant and equipment replaced; also extensions of the life period of franchises, patents, and other intangible investment. The cost of the plant and equipment retired should be credited to the accounts in which it is carried, and the cost of the plant and equipment installed in place of that so retired should be charged to the appropriate primary accounts under account No. 101, "Plant and equipment since December 31, 1913."

**8. Costs to be actual money costs.**—All charges made to plant and equipment or other property accounts with respect to any property acquired on or after January 1, 1914, should be the actual money costs of the property. When the consideration actually given for anything with respect to which a charge is made to any plant and equipment or other property account is anything other than money, the actual consideration should be described in the entry with sufficient fullness and particularity to identify it, and the amount charged should be the actual money value of such consideration at the time of the transaction.

**9. Interest, debt discount, and debt expense during construction period.**—All interest, debt discount, and debt expense assignable to the construction period should be carried in account No. 229, "Interest during construction," and not distributed to the various plant and equipment accounts to which such accruals relate. Account No. 229 should include only such proportion of the interest on funds used for construction purposes and of the discount and expense on funded debt as is equitably assignable to the period between the date of the issuance of securities and the time when the property acquired or the improvement made through such issuance becomes available for the service for which it is intended.

**10. Costs of labor, materials, and supplies.**—The term *cost* as used in the plant and equipment (or construction) accounts means the actual cost in money of labor and materials used in construction, the actual cost in money of property acquired after construction, or, if the consideration given is other than money, the actual money value of such other consideration at the time of the purchase. *Cost of labor* includes not only wages, salaries, and fees paid employees, but also personal expenses of such employees when borne by the company. *Cost of materials and supplies* consumed in construction is the cost at the places where they enter into construction, including cost of transportation and inspection when specifically assignable. If such materials and supplies are passed through storehouses, their cost entered in the account may include a suitable proportion of store expense.

If officers and employees of an operating company are specially assigned to construction work, or if they devote a substantial portion of their time to such work, the proper proportion of their salaries and expenses should be charged to Plant and Equipment. No charge, however, should be made to plant and

equipment accounts for incidental services of officers and employees whose time is regularly devoted to the operation and maintenance of the plant.

**11. Plant and equipment and other property purchased.**—When any property in the form of a going or completed plant is purchased, an appraisal of the property so acquired should be made, and the different constituent elements of the plant (and equipment, if any) or other property acquired should be appraised at their structural value; that is to say, at the estimated cost of replacement or reproduction less existing deterioration through wear and tear, obsolescence, and inadequacy.

If the actual money value of the consideration given for the plant or other property was at the time of the acquisition in excess of such appraised value, the excess should be charged to account No. 203, "Other intangible capital," and the appraised values of the constituent elements should be charged to the appropriate plant and equipment accounts. If the actual money value of the consideration given was not in excess of such appraised value, such actual money value should be distributed through the said accounts in proportion to the said appraised value of the constituent elements appropriate to the respective accounts.

**12. Plant and equipment withdrawn or retired.**—When plant and equipment is withdrawn or retired from service for any cause the rules here following should govern the accounting:

(a) When any tangible plant and equipment of the company acquired prior to January 1, 1914, is withdrawn or retired from service for any cause, the amount at which it stands charged should be credited to the book account in which it is charged under account No. 100, "Plant and equipment to January 1, 1914," and such amount plus the expenses incident to the retirement, less the value of salvage, should be charged (1) to account No. 170, "Reserve for accrued depreciation," for the proportion applicable to the period covered by the reserve; and (2) to account No. 413, "Realized depreciation not covered by reserves," for the remainder. Such portion only of the realized depreciation should be charged to account No. 170, "Reserve for accrued depreciation," as is due to life in service during the period for which the reserve was established. This portion may be estimated on the basis of the proportion which the life in service of the property after that date bears to its entire life in service.

The entry of the credit to the plant and equipment accounts should cite by name and page of book or other record the original entry of cost of the thing withdrawn. If there is no such original entry, that fact should be stated in connection with the credit entry, and the actual amount originally charged should be credited. If such amount is not known, it should be estimated, the facts upon which the estimate is based and the name of the person by whom estimated should be shown, and the amount thus estimated to be equivalent to the original charge in respect of such thing withdrawn should be credited to the plant and equipment account involved.

(b) When any tangible plant and equipment of the company acquired since December 31, 1913, is withdrawn or retired from service for any cause, the amount at which it stands charged should be credited to the plant and equipment account in which it is charged, and such amount plus the expenses incident to the retirement, less the value of salvage, should be charged to account No. 170, "Reserve for accrued depreciation."

The entry of the credit to the plant and equipment account should cite by name and page of book or other record the original entry of cost of the thing withdrawn.



(c) If the age of tangible plant and equipment withdrawn or retired from service cannot be determined for classification between account No. 100, "Plant and equipment to January 1, 1914," and account No. 101, "Plant and equipment since December 31, 1913," the property so retired should be treated as having been charged to the former account, and the necessary credits should be made to the book accounts thereunder.

(d) When any tangible plant and equipment is withdrawn or retired whose book value as carried in the plant and equipment accounts has been reduced by writing off estimated depreciation, only that part of the realized depreciation which has not already been written off should be charged to account No. 170, "Reserve for accrued depreciation," or to account No. 413, "Realized depreciation not covered by reserves."

(e) When any plant and equipment is withdrawn or retired whose book value is greater than the known or estimated cost, such excess should be charged to account No. 417, "Miscellaneous debits," and the realized depreciation should be charged as elsewhere directed.

(f) If any plant and equipment is sold for more than its original cost, the amount of depreciation, if any, accrued and credited to a reserve in respect thereof, should be determined as accurately as possible and charged to such reserve. The sum of the amount so charged and the excess of the selling price over the cost of the property should be credited to account No. 401, "Miscellaneous credits."

13. **Income Account defined.**—The Income Account brings together those accounts that show the total amount of money that the company has received or become entitled to receive for services rendered during a given period, the return accruing during the period upon investments, and the disbursements and obligations (fixed charges) incurred that affect the disposition of the amounts so received or accrued. The net balance of income (or loss) should be carried to Profit and Loss.

14. **Taxes.**—Separate accounts should be kept distinguishing between taxes related to operating revenues and those related to nonoperating revenues, and, if the company engages in business other than telegraph or cable operations, taxes applicable to such other business should also be kept separate.

The tax accounts should be charged each month and an open account entitled "Tax liability account" concurrently credited with the month's proportion of taxes applicable to the operations covered by each account. If the exact amounts of the annual taxes are not known, they should be estimated and one-twelfth of the estimated amounts be charged each month. From time to time during the year, as the actual tax levies become known, the monthly charges should be adjusted so as to include as nearly as may be possible the total amount of the taxes in the period to which they apply. When any such tax bill is actually paid, the tax liability account should be debited with the amount of the payment. If the balance in the tax liability account is a debit balance due to the prepayment of taxes applicable to a period subsequent to that for which the Income Account is stated, the amount of the debit balance should be shown in account No. 122, "Prepaid taxes"; if the balance is a credit balance the amount should be shown in account No. 107, "Taxes accrued."

Taxes on property leased should be charged to the appropriate tax account by the party which, under the terms of the lease contract, actually is obligated for such taxes. If the other party to the lease, as a matter of convenience, pays the taxes to the Government authorities, such taxes should not enter its tax accounts but should be charged directly to the party obligated for the taxes.

The tax accounts should not include any fees or charges such as water taxes, drainage taxes, and fire taxes, which, although called taxes, are payments for some specific service rendered by the Government.

15. **Profit and Loss Account defined.**—This account or summary is the connecting link between the Income Account and the Balance Sheet. It summarizes the changes in the surplus or deficit during a given fiscal period as effected by the operations and business transactions during that period, by any disposition of net profits made solely at the option of the company, by accounting adjustments not properly attributable to the period, or by miscellaneous losses or gains not provided for elsewhere. The profit and loss balance should be shown on the balance-sheet statement under account No. 128, "Profit and loss—Debit balance," or No. 170, "Profit and loss—Credit balance."

16. **Operating revenues defined.**—By *operating revenues* are meant all amounts of money which the company receives or becomes lawfully entitled to recover for services rendered and as a return upon property used by the company in its own operations. Credits to the various revenue accounts should be based upon the gross charges made for services rendered by the company.

17. **Deductions from revenues.**—Corrections of overcharges, overcollections theretofore credited and afterwards corrected, authorized refunds on account of errors or failures in transmission, and other corrections should be charged to the revenue account to which they relate.

18. **Commissions.**—Commissions allowed to others for originating or handling messages or for other commercial service connected with revenue messages should not be charged to the revenue accounts. Such commissions, when allowed company employees in lieu of or in addition to salaries, should be charged to the operating expense accounts chargeable with the salaries of such employees. Such commissions allowed other than employees should be charged to operating expense account No. 631, "Telephone company service," if the recipients are engaged in telephone operations, or to account No. 632, "Commissions," if payable to others.

19. **Repairs defined.**—The term *repairs*, as used in the text of the various operating expense accounts, includes ordinary and extraordinary repairs.

Ordinary repairs are not required to be taken into account in fixing a rate of depreciation. They include:

(a) Clearing crosses, breaks, grounds, and other line troubles, including routine work intended to prevent such troubles, such as pulling up slack, tightening guys and resetting guy stubs, trimming trees, straightening poles and cross arms, and cleaning and adjusting apparatus;

(b) Replacements of minor or short-lived structures, equipment, or facilities, or parts thereof not provided against in the charge for depreciation of plant and equipment;

(c) Rearrangements and changes in location of plant involving no substantial replacement or any betterment;

(d) Recovering salvage and removing retired or abandoned property, when such costs are not provided for in the depreciation reserves.

Extraordinary repairs, which should be provided for, so far as may be possible, by charges to depreciation, include:

(aa) Restoring the condition of property damaged by storms, floods, fire, or other casualties;

(bb) Recovering salvage and removing retired or abandoned property in connection with above-mentioned work.

All repairs, whether ordinary or extraordinary, should be charged to the appropriate primary operating expense accounts. Extraordinary repairs for which a reserve has been provided should then be concurrently charged to

account No. 170, "Reserve for accrued depreciation," and credited to account No. 611, "Repairs charged to reserves—Cr."

When it is necessary substantially to reconstruct or to replace a major portion of any unit of property or any important section of a continuous structure, the cost should be handled through the capital accounts; that is, the cost of the property removed or replaced should be credited to the appropriate plant and equipment accounts and the new property should be charged thereto.

20. *Cost of repairs.*—The term *cost of repairs*, as used in the texts of the various operating expense accounts, should be understood to include the wages, salaries, and fees paid employees directly engaged in the work of repairs, personal expenses of such employees when borne by the company, the cost (including transportation) of materials and supplies consumed, and the expense of facilities employed in making the repairs, less the value of any salvage recovered. It includes also the cost of direct supervision, such as by foremen or superintendents of repair gangs, but does not include the cost of general supervision as provided for in account No. 600, "Supervision of maintenance."

21. *Depreciation of plant and equipment.*—Telegraph and cable companies should include in operating expenses depreciation charges for the purpose of creating proper and adequate reserves to cover the expenses of depreciation currently accruing in the tangible plant and equipment. By *expense of depreciation* is meant—

(a) Losses suffered through the current lessening in value of tangible property from wear and tear not covered by current repairs;

(b) Obsolescence or inadequacy resulting from age, physical change, or supersession by reason of new inventions and discoveries, changes in popular demand, or public requirements;

(c) Losses suffered through destruction of property by extraordinary casualties.

The rate of depreciation should be fixed so as to distribute, as nearly as may be, evenly throughout the life of the deprecating property the burden of extraordinary repairs and the cost of capital consumed in operations during a given month or year, and should be based upon the average life of the units comprised in any class of property.

The amount charged as expense of depreciation should be based upon rules determined by the accounting company. Such rules may be derived from a consideration of the company's history and experience. Companies should be prepared to furnish the Commission, upon demand, the rules and a sworn statement of facts, expert opinions, and estimates upon which the rules are based.

The estimate for depreciation of physical property should take into account—

(aa) The gradual deterioration and ultimate retirement of units of property which may be satisfactorily individualized, such as buildings, machines, and valuable instruments, to the end that by the time such units of property go out of service there shall have been accumulated a reserve equal to the original money cost of such property, plus cost of removal, less the value of any salvage;

(bb) The depreciation accruing in property which can not be readily individualized, such as pole lines, wires, cables, and other continuous structures, to the end that when such property goes out of service or when extensive replacements are made, there shall have been accumulated a reserve equal to the original cost, plus the cost of removal less the value of any salvage. Any repairs or minor replacements of such structures made from time to time are to be classed as ordinary repairs and charged to the primary repair accounts when made.

The amount estimated to cover the expense of depreciation of plant and equipment should be charged monthly to account No. 608, "Depreciation of plant and equipment," or to the appropriate clearing account or accounts and concurrently credited to account No. 170, "Reserve for accrued depreciation."

Account No. 413, "Realized depreciation not covered by reserves," is provided in the Profit and Loss Account for charges for realized depreciation on plant and equipment retired when such depreciation occurred prior to the establishment of account No. 170, "Reserve for accrued depreciation," or has not been provided for by credits to that account.

22. *Extraordinary casualties and unanticipated reconstruction.*—If so authorized, upon application to the Commission, the company granted such authority may charge the amount named in the authority to a suspense account for the purpose of distributing over a limited period an extraordinary loss of such a nature that it can not be anticipated by the exercise of reasonable prudence. Losses of this sort may be due to the requirement by lawful authority or public necessity of improvements involving the abandonment of a considerable portion of plant and equipment before it has attained its normal life in service, or to an extraordinary casualty entirely unforeseen and unprovided for.

The original cost of the property so abandoned or destroyed should be credited to the plant and equipment accounts in which it was carried, and such portion of the cost as may be authorized by the Commission may be charged to the suspense account, the remainder of the cost, less any salvage, being charged out as elsewhere provided in case of retirement of property. The suspense account so raised should be credited and account No. 609, "Extraordinary depreciation," debited monthly with such an amount as will, through its regular application, amortize the amount of the loss at the end of the period designated.

23. *Joint operating expenses.*—When any operating expense is incurred by a company for the joint benefit of itself and another under agreement for apportioning such expenses, the creditor company should credit to its primary expense or other accounts to which the expenses were charged when incurred, the amounts billed by it to the sharing company. The debtor company should charge to its primary expense or other accounts the amounts so billed. Bills rendered by the operating company for joint expenses should show the expenses in detail.



# **BALANCE SHEET STATEMENT.**

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## TEXT PERTAINING TO ACCOUNTS IN THE BALANCE SHEET STATEMENT.

### ASSET SIDE.

#### 100. PLANT AND EQUIPMENT TO JANUARY 1, 1914.

In this account on the balance-sheet statement should be shown the total of the balances in the ledger accounts representing the company's plant and equipment which was installed prior to January 1, 1914, and which is still in service at the date of the balance sheet. (See text of this account on p. 35.)

#### 101. PLANT AND EQUIPMENT SINCE DECEMBER 31, 1913.

In this account on the balance-sheet statement should be shown the total of the balances in the ledger accounts representing the company's investment in plant and equipment installed since December 31, 1913, and still in service at the date of the balance sheet. (For the plant and equipment primary accounts, see pp. 35 to 41.)

#### 102. CONSTRUCTION WORK IN PROGRESS.

This account should include the amounts expended upon plant that is in process of construction under estimates or work orders, but is not ready for service at the date of the balance sheet. It should include interest charged during construction, also such proportion of plant supervision expenses, engineering expenses, tool expenses, supply expenses, floating equipment expenses, railway equipment expenses, and general expenses as may be properly chargeable to the construction work included under this account.

When any project, the cost of which has been included in this account, is completed or placed in service, the amount thus charged for such job should be credited to this account, and the appropriate plant and equipment account or other accounts should be concurrently charged.

This account should not be used to exclude from the plant and equipment accounts property actually used in operation which forms part of a line not completed in entirety.

#### 103. INVESTMENT SECURITIES.

This account should include the cost or book value of stocks, and of bonds, notes, and other evidences of indebtedness, having dates of maturity of more than one year from date of issue, held by the accounting company, and pledged as collateral for other securities issued or assumed, or held as a means of obtaining or exercising control over other corporations, for devotion to future operations, or for securing other business advantages.

The amounts included herein should be subdivided as (a) Stocks of system corporations, (b) Funded debt of system corporations, (c) Miscellaneous stocks, and (d) Miscellaneous funded debt.

**103. INVESTMENT SECURITIES—Continued.**

In stating this account or the subaccounts hereof on the balance-sheet statement the par value of securities issued or assumed by the company and held by it, if carried in this account, should be deducted in order that this account may show only the cost or book value of securities of other companies. (See sec. 3, p. 9.)

**NOTE A.**—By a *system corporation* is meant any controlling, affiliated, controlled, or subsidiary corporation.

**NOTE B.**—Notes payable upon demand or having dates of maturity of one year or less from the date of issue should not be included herein but in account No. 104, "Long-term advances receivable," or No. 110, "Bills receivable," as may be appropriate.

**NOTE C.**—In the annual reports to the Commission investments in securities will be required to be classified so as to show those held subject to a lien of some character and those held free of lien, pledge, or other restrictions.

**104. LONG-TERM ADVANCES RECEIVABLE.**

This account should include advances to other companies, both when evidenced by book accounts and when evidenced by demand notes, when it is mutually agreed that the accounting company shall be reimbursed for such advances in securities of the debtor company's issue.

**105. MISCELLANEOUS INVESTMENTS.**

This account should include investments of a permanent nature in property, either tangible or intangible, other than that properly chargeable to the plant and equipment accounts. This should include such items as investments in lighting, water, and power plants, manufacturing plants, lands, buildings, and other property not a part of the company's plant for telegraph or cable operations nor of facilities incident thereto.

**106. CASH.**

This account should include the amount of current funds, available for use on demand, in the hands of financial officers and agents, or deposited in banks or with trust companies; also cash in transit for which managers and agents receive current credit.

**107. SPECIAL DEPOSITS.**

This account should include deposits to pay declared dividends and matured interest; cash realized from the sale of securities and deposited with trustees for disbursement when the purposes for which the securities are sold are accomplished; amounts realized from the sale of property and deposited with trustees, in other than sinking funds, until the property is replaced; special deposits in other than sinking funds for the payment of debts and interest not matured; money and securities deposited to secure the performance of contracts; and other deposits of a special nature not provided for elsewhere.

In stating this account on the balance-sheet statement the amount of any securities issued or assumed by the company and included herein should be deducted in order that the account may show only the assets herein other than the company's own securities. (See sec. 3, p. 9.)

**108. EMPLOYEES' WORKING FUNDS.**

This account should include amounts advanced to superintendents, managers, and other officers and employees as working funds from which certain expenditures are to be made and accounted for.

**109. MARKETABLE SECURITIES.**

This account should include the cost or book value of securities of other companies and the par value of securities issued or assumed by the accounting company, when held in the company's treasury unpledged and free for sale and not necessary or desirable for the company to hold for the purpose of maintaining the integrity of its telegraph or cable system.

In stating this account on the balance-sheet statement the par value of securities issued or assumed by the company and carried in this account should be deducted. In order that this account shall show only the cost or book value of securities of other companies. (See sec. 3, p. 9.)

**110. BILLS RECEIVABLE.**

This account should include the cost of collectible obligations in the form of bills receivable or other similar evidences of money receivable on demand or within a time not exceeding one year, excluding interest coupons.

**NOTE A.**—Notes having dates of maturity of more than one year after date of issue should be included in account No. 103, "Investment securities" or No. 109, "Marketable securities."

**NOTE B.**—When loans are evidenced by demand notes intended later to be exchanged for other securities, the amount of such loans should be included in account No. 104, "Long-term advances receivable."

**111. ACCOUNTS RECEIVABLE FROM CUSTOMERS AND AGENTS.**

This account should include amounts due from customers for services rendered or billed, and from agents and collectors authorized to make collections of operating revenues. (See accounts Nos. 172 and 304.)

**112. ACCOUNTS RECEIVABLE FROM SYSTEM CORPORATIONS.**

This account should include amounts due from controlling, affiliated, controlled, or subsidiary corporations on open accounts other than those provided for in account No. 104, "Long-term advances receivable."

**113. MISCELLANEOUS ACCOUNTS RECEIVABLE.**

This account should include all amounts owing to the company upon accounts with solvent concerns, other than amounts provided for in accounts Nos. 111 and 112; claims upon which responsibility is acknowledged by solvent concerns or which are sufficiently secured to be considered good; and judgments against solvent concerns where the judgment is not appealable or suspended through appeal.

**NOTE.**—Cash on deposit in banks or with trust companies should be included in account No. 106, "Cash," or No. 107, "Special deposits."

**114. MATURED INTEREST AND DIVIDENDS RECEIVABLE.**

This account should include interest accrued and due but not yet collected upon bonds, notes, or other commercial paper held by or for the benefit of the company, and all dividends declared and due from solvent concerns but not yet collected, the right to which is in the accounting company.

**115. MATERIALS AND SUPPLIES.**

This account should include the cost of unapplied material, including material temporarily in use and not charged out in the company's accounts, articles in process of manufacture by the company, fuel stationery, tools, and other supplies. Freight and express charges paid on

**115. MATERIALS AND SUPPLIES—Continued.**

material included in this account should be included in the value of such material.

When any plant and equipment is discontinued, withdrawn, or retired, and when any equipment, materials, and supplies are returned to store, the salvage value thereof should be charged to this account, regardless of whether it is to be consumed in operation or in construction or to be sold. If such value is not known and can not readily be determined, it should be estimated. Errors in such estimates when determined, if made during the year in which the estimates were made, should be adjusted through the accounts involved; if later, then through the Profit and Loss Account.

Inventories of materials and supplies on hand and unapplied should be taken at least annually, and any shortages or overages disclosed by such inventories should be credited or debited to this account and debited or credited to clearing account No. 704, "Supply expense," in case such shortages or overages can not be assigned to specific accounts.

NOTE.—Where discounts recovered through prompt payment can not be credited to the particular bills, such materials and supplies should be charged at the invoice cost, and any discounts recovered through prompt payment of bills for such materials and supplies should be credited to clearing account No. 704, "Supply expense."

**116. OTHER CURRENT ASSETS.**

This account should include the cost of all current assets which are not includible under any of the foregoing accounts. By *current assets* are meant only money or those things that are readily convertible into money and which are held not as investments but with the intent of being presently converted into money.

**117. UNMATURED INTEREST, DIVIDENDS, AND RENTS RECEIVABLE.**

This account should include interest on loans made; rents under leases accrued to the date of the balance sheet, but not due or collectible until after that date; dividends declared but not due on stocks owned; and dividends accrued on stocks owned when contracts require that the dividends be paid at stated times.

**118. SINKING FUND ASSETS.**

This account should include the amount of cash, the cost or book value of live securities of other companies, and other assets which are in the hands of trustees of sinking and other funds for the purpose of redeeming outstanding obligations; also amounts deposited with such trustees on account of mortgaged property sold, and the par value of live securities issued or assumed by the accounting company and held in such funds. A separate account should be kept for each fund.

In stating this account on the balance-sheet statement the par value of any securities issued or assumed by the company and carried in this account should be deducted from the total in order to show only the assets in sinking funds other than the company's own securities. (See sec. 3, p. 9.)

**119. INSURANCE AND OTHER RESERVE FUND ASSETS.**

This account should include the amount of cash, the cost or book value of securities of other companies, and other assets in the hands of trustees or managers of insurance and other funds that have been raised and specifically set aside or invested by the company for specific purposes, not provided for elsewhere; also the par value of securities issued

**119. INSURANCE AND OTHER RESERVE FUND ASSETS—Continued.**

or assumed by the accounting company and held in such funds. A separate account should be kept for each fund.

In stating this account on the balance-sheet statement the par value of any securities issued or assumed by the company and carried in this account should be deducted from the total in order to show only the assets in the funds other than the company's own securities. (See sec. 3, p. 9.)

**120. PROVIDENT FUND ASSETS.**

This account should include the amount of cash, the cost or book value of securities of other companies, and other assets, whether contributed by the company, by employees, or by others, in the hands of trustees or managers of employees' pension funds, savings funds, relief, hospital, and other association funds, when such trustees or managers are acting for the company in the administration of such funds; also the par value of securities issued or assumed by the accounting company and held in such funds.

NOTE.—This account should not include funds held by the accounting company solely as trustee, and in which it has no beneficial interest.

**121. PREPAID RENTS.**

This account should include the amount of rents paid in advance of the enjoyment of the term. As the term is consumed, this account should be credited at monthly intervals and the appropriate rent account should be debited with the amount applicable to the month.

**122. PREPAID TAXES.**

This account should include the excess of taxes paid over the amount properly chargeable to income or other accounts as shown by the debit balance in the tax liability account. (See sec. 14, p. 14.)

**123. PREPAID INSURANCE.**

This account should include amounts paid as premiums on insurance policies in advance of their accrual. As such premiums accrue, they should be credited at monthly intervals to this account and charged to account No. 640, "Insurance."

**124. OTHER PREPAYMENTS.**

This account should include amounts of prepayments made for anything other than as provided for in the last three preceding accounts.

**125. UNEXTINGUISHED DISCOUNT ON CAPITAL STOCK.**

If the net of the balances in the discount and premium accounts for all classes of capital stock sold or exchanged is a debit balance, the amount should be stated in this account. (See sec. 4, p. 10.)

**126. UNAMORTIZED DEBT DISCOUNT AND EXPENSE.**

If the net of the balances in the discount and premium accounts for all classes of funded debt sold or exchanged is a debit balance, the amount should be stated in this account. (See sec. 5, p. 10.)

**127. OTHER DEFERRED DEBIT ITEMS.**

This account should include suspense account debit balances that can not be entirely cleared and disposed of until additional information is received.

It should include such matters as amounts carried in suspense due to extraordinary casualties and unanticipated reconstruction (See sec. 22, p. 17); expense of preliminary surveys, plans, investigations, etc., made



## 127 OTHER DEFERRED DEBIT ITEMS—Continued.

for determining the feasibility of projects held in contemplation; items awaiting adjustment between accounts; debit balances in clearing accounts; amounts to be spread over a stated term and not provided for in other accounts; debit balances in operating reserves created for repairs of ocean cables; and other similar items.

## 128. PROFIT AND LOSS—DEBIT BALANCE.

Under this head should be shown the debit balance, if any, in the Profit and Loss Account. (See sec. 15, p. 15.)

## LIABILITY SIDE.

## 150. CAPITAL STOCK.

This account should include the total par value of certificates or receipts actually or nominally issued to represent permanent interests in the accounting company, or interests which, if terminable, are so only at the option of the company.

The amounts included in this account should be divided so as to show (1) the par value of certificates issued and actually outstanding, being those not held by the company, its agents or trustees, or subject to its control; and (2) the par value of certificates, pledged and unpledged, held in the company's treasury, by its agents or trustees, or otherwise subject to its control, including both those reacquired after actual issue and those nominally but never actually issued.

The amounts included in this account should be further divided so as to show the amount of each class of stock issued, as follows:

(a) COMMON STOCK.—Stocks whose claims in the distribution of dividends are subordinate to the claims of all other stock.

(b) PREFERRED STOCK.—Stocks having a prior claim upon such dividends as may be distributed.

(c) DEBENTURE STOCK.—Stocks issued under a contract to pay a specified return at specified intervals.

(d) RECEIPTS OUTSTANDING FOR INSTALLMENTS PAID.—Receipts for payments on account of subscriptions to capital stock. When certificates are issued for amounts so paid, the par value should be included in the account covering the class of stock for which the certificates are issued.

Each of the above classes should be divided also into subclasses according to differences in dividend or interest rights, voting rights, or conditions under which the securities may be retired.

If any issue of stock is for money, that fact should be stated; and if for any consideration other than money, the person to whom issued should be designated, and the consideration for which issued should be described with sufficient particularity to identify it. If such issue is to the treasurer or other agent of the company, to be by him disposed of for the benefit of the company, that fact and the name of such agent should be shown; and such agent should, in his account of the disposition thereof, show the like details concerning the consideration realized thereon. If the fair cash value of the consideration realized is greater or less than the par value, the difference credited or charged to an appropriate discount and premium account should have reference made to it in the entry in the stock account. (See sec. 4, p. 10.)

In stating this account on the balance-sheet statement, the amount held by the company, its agents or trustees, or subject to its control, should be deducted from the total in order to show only the par value

## 150. CAPITAL STOCK—Continued.

of the certificates actually outstanding at the date of the balance-sheet statement. (See sec. 3, p. 9.)

NOTE A.—For the purposes of the balance-sheet statement, capital stock is considered *nominally issued* when certificates are signed and sealed and placed with the proper officer for sale and delivery, or pledged, or otherwise placed in some special fund of the accounting company. It is considered to be *actually issued* when it has been sold to a bona fide purchaser for a valuable consideration, and such purchaser holds it free from all control by the accounting company. All capital stock actually issued and not reacquired by or for the accounting company is considered to be *actually outstanding*. If reacquired and held by or for the accounting company under such circumstances as require it to be considered as held alive and not canceled or retired, it is considered to be *nominally outstanding*.

NOTE B.—When a general levy or assessment is made against the holders of capital stock, requiring the payment of any sum for the use of the company in addition to the consideration agreed upon at the time of sale, the amount collected upon such levy or assessment should be credited to the discount and premium account for the class of stock on which the assessment is made.

## 151. STOCK LIABILITY FOR CONVERSION OF SECURITIES.

This account should include the par value of stock that the company has agreed to issue in exchange for securities of constituent companies whose physical property has been acquired under such agreements, but whose securities have not yet been surrendered for exchange.

## 152. PREMIUMS ON CAPITAL STOCK.

If the net of the balances in the discount and premium accounts for all classes of capital stock sold or exchanged is a credit balance, the amount should be stated in this account. (See sec. 4, p. 10.)

## 153. GRANTS IN AID OF CONSTRUCTION.

This account should include the amounts of grants by individuals, associations, corporations, governments, or others as contributions to the cost of construction, additions, or betterments.

## 154. FUNDED DEBT.

This account should include the total par value of unmatured funded debt maturing more than one year from date of issue, issued by the accounting company and not retired or canceled, and the total par value of similar unmatured debt of other companies the payment of which has been assumed by the accounting company.

The amounts included in this account should be divided so as to show (1) the par value of certificates or other evidences of funded debt issued and actually outstanding, being those not held by the company, its agents or trustees, or subject to its control; and (2) the par value of certificates or other evidences of funded debt, pledged and unpledged, held in the company's treasury, by its agents or trustees, or otherwise subject to its control, including both those reacquired after actual issue and those nominally but never actually issued.

The amounts included in this account should be further divided so as to show the amount of each class of funded debt, as follows:

(a) MORTGAGE BONDS.—Bonds secured by a lien on physical property and not includible in the other subdivisions of this account.

(b) COLLATERAL TRUST BONDS.—Bonds and notes having a date of maturity of more than one year after date of issue, secured by a lien on securities or other commercial paper; also stock trust certificates similar in character to collateral trust bonds.

(c) INCOME BONDS.—Bonds which are a lien on a company's revenue alone, or bonds which, while being a lien on its property and franchises, can claim payment of interest only in case interest is earned.



## 154. FUNDED DEBT—Continued.

(d) MISCELLANEOUS OBLIGATIONS.—All funded obligations not provided for by the other subdivisions of this account, also notes, unsecured certificates of indebtedness, debenture bonds, plain bonds, real estate mortgages executed or assumed, and other similar obligations maturing more than one year after date of issue.

(e) RECEIPTS OUTSTANDING FOR FUNDED DEBT.—Receipts for payments on account of funded debt. When certificates are issued for amounts so paid, the par value should be included in the account covering the class of funded debt for which the certificates are issued.

Each of the above classes should be divided also into subclasses according to differences in mortgage or other lien or security therefor, rate of interest, interest dates, or date of maturity. Parts of any issue agreeing in other characteristics but maturing serially may be treated as of the same subclass.

If the consideration received for any issue of funded debt is anything else than money, the entry should show the principal to whom issued and should describe the consideration actually received for the issue with sufficient particularity to identify it. If the issue is in any case to an agent of an undisclosed principal, the name and business address of such agent and the fact of his agency should be shown in the entry. If the fair cash value of the consideration realized is greater or less than the par value plus the accrued interest, the difference credited or charged to an appropriate discount and premium account should have reference made to it in the funded debt account. (See sec. 5, p. 10.)

In stating this account on the balance-sheet statement, the amount held by the company, its agents or trustees, or subject to its control should be deducted from the total in order to show only the par value of funded debt securities actually outstanding at the date of the balance-sheet statement. (See sec. 3, p. 9.)

NOTE.—For the purposes of the balance-sheet statement, funded debt securities are considered to be *nominally issued* when certified by trustees and placed with the proper officer for sale and delivery, or pledged, or otherwise placed in some special fund of the accounting company. They are considered to be *actually issued* when they have been sold to a bona fide purchaser for a valuable consideration, and such purchaser holds them free from all control by the accounting company. All funded debt securities actually issued and not reacquired and held by or for the accounting company are considered to be *actually outstanding*. If reacquired by or for the accounting company under such circumstances as require them to be considered as held alive and not canceled or retired, they are considered *nominally outstanding*.

## 155. RECEIVER'S CERTIFICATES.

When any receiver acting under the orders of a court of competent jurisdiction is in possession of the property of the company and under the orders of such court issues certificates of indebtedness chargeable upon such property, the par value of such certificates should be credited to this account. Interest accruing upon such certificates should also be credited monthly to this account, and when paid should be charged to this account.

## 156. LONG-TERM ADVANCES PAYABLE.

This account should include advances from other companies, both when evidenced by book accounts and when evidenced by demand notes, when it is mutually agreed that such companies shall be reimbursed for such advances in securities of the accounting company's issue.

## 157. JUDGMENTS UNPAID.

When any judgment of indebtedness is rendered against the company by a court of competent jurisdiction, or any fine or penalty requiring the payment of money is assessed against the company by such a court, and no appeal accompanied by stay of execution has been taken therefrom within the time allowed by law for such appeal, the amount of such judgment, fine, or penalty, should be credited to this account, and the entry should designate the action or suit as a consequence of which such judgment is pronounced or such fine or penalty assessed. The designation of the action or suit should indicate the court, the term thereof, the parties, and the character of the action or suit. Interest accruing upon any such judgment should be credited to this account.

In case of appeal and affirmance in whole or in part from which judgment of affirmance a further appeal lies, the same rule shall apply as upon entry of original judgment.

## 158. BILLS PAYABLE.

This account should include the par value of all notes, drafts, and other evidences of indebtedness, issued or assumed by the company, and payable on demand or within a time not exceeding one year.

NOTE.—When loans from other companies are evidenced by demand notes intended later to be exchanged for other securities, the amount of such loans should be included in account No. 156, "Long-term advances payable."

## 159. AUDITED VOUCHERS AND WAGES UNPAID.

This account should include the amount of audited vouchers or accounts and audited pay rolls unpaid on the date of the balance sheet; also the amount of unclaimed wages and outstanding pay and time checks issued in payment of wages.

## 160. CUSTOMERS' DEPOSITS.

This account should include all cash deposited with the company by customers as security for the payment of bills. Deposits refunded should be charged to this account and credited to cash. Deposits applied to uncollectible telegraph or cable bills should be charged to this account and credited to the account of the customer.

NOTE.—This account is not intended to cover small amounts deposited by senders of collect messages as guaranty in case charges can not be collected at destination, such amounts being usually refunded or applied within a short time.

## 161. ACCOUNTS PAYABLE TO SYSTEM CORPORATIONS.

This account should include the amounts owed to controlling, affiliated, controlled or subsidiary corporations on open accounts, other than those provided for in account No. 156, "Long-term advances payable."

## 162. MISCELLANEOUS ACCOUNTS PAYABLE.

This account should include all amounts owed to miscellaneous creditors on open accounts and not provided for elsewhere.

## 163. MATURED INTEREST, DIVIDENDS, AND RENTS UNPAID.

This account should include matured and unpaid interest on funded debt, loans, and debenture stock of the accounting company, and of other companies when payment has been assumed by the company; rents due and unpaid for property held under leases; and dividends due and payable on capital stock but unpaid, uncalled for, or unclaimed at the date of the balance sheet.

**164. MATURED FUNDED DEBT UNPAID.**

This account should include the amount of matured mortgage, bonded, and other funded debt payable, but not yet paid, including bonds drawn for redemption through the operation of sinking and redemption fund agreements.

**165. SERVICE BILLED IN ADVANCE.**

This account should include the amounts covering time service and other services which are billed in advance. As the service is performed this account should be charged and the appropriate revenue account should be credited.

**166. OTHER CURRENT LIABILITIES.**

This account should include the amounts of all current liabilities which are not included in any of the foregoing accounts.

**167. TAXES ACCRUED.**

This account should include the amount of taxes accrued and properly charged against income or other accounts in excess of the amount of taxes paid. (See sec. 14, p. 14.)

**168. UNMATURED INTEREST, DIVIDENDS, AND RENTS PAYABLE.**

This account should include the amount of interest accrued but not due on funded debt issued or assumed, loans, and open accounts; and rents under leases accrued to the date for which the balance sheet is made but not due until after that date; also dividends declared on stock prior to the date of the balance sheet but not payable until after that date.

*NOTE.*—The interest accruing on any judgments against the company or upon any receiver's certificates should be credited to the account to which such judgments or receiver's certificates stand credited.

**169. UNEXTINGUISHED PREMIUM ON DEBT.**

If the net of the balances in the discount and premium accounts for all classes of funded debt sold or exchanged is a credit balance, the amount should be stated in this account. (See sec. 5, p. 10.)

**170. RESERVE FOR ACCRUED DEPRECIATION.**

To this account should be credited such amounts as are concurrently charged to operating expense account No. 608, "Depreciation of plant and equipment," and to clearing accounts Nos. 701, 702, 703, 708, and 709, to cover the expense of depreciation of plant, equipment, furniture, tools, and implements. To this account should also be credited any amount carried in reserve on January 1, 1914, to cover the expense of depreciation on plant, equipment, furniture, tools, and implements installed prior to that date.

To this account should be charged, when tangible plant and equipment installed since December 31, 1913, is relinquished, retired, or destroyed, the realized depreciation thereof; also the amount of depreciation carried in this account in respect of tangible plant and equipment installed prior to January 1, 1914, when such property is relinquished, retired, or destroyed. (See secs. 12, p. 13, and 21, p. 16.)

To this account should be charged also such part of the expenditures for extraordinary repairs concurrently credited to account No. 611, "Repairs charged to reserves—Cr.," as may have been provided for in estimating the rate of depreciation. (See sec. 19, p. 15.)

If depreciation is accrued on leased plant and equipment, this account should be subdivided into (a) Reserve for accrued depreciation, and (b) Reserve for accrued depreciation of leased plant and equipment.

**171. RESERVE FOR AMORTIZATION OF INTANGIBLE CAPITAL.**

To this account should be credited such amounts as are charged to account No. 414, "Amortization unprovided for elsewhere," and account No. 652, "Amortization of franchises and patents," to provide a reserve for intangible capital. The amounts charged to account No. 652 and credited to this account should be based upon a rule determined by the accounting company, the purpose and effect of such rule being to accumulate by charges equitably distributed throughout the life of any franchise or patent a reserve that will at the expiration of its life equal the original cost.

*NOTE.*—When any franchise, patent, or other intangible capital expires or is otherwise retired from service (as, for example, through sale), (1) the account originally charged therewith should be credited with the amount originally charged; (2) this account should be debited with all amounts theretofore credited in respect of such capital going out of service; (3) the appropriate account should be debited with the proceeds of sale, if any, and (4) any necessary adjustment should be made by charging account No. 414, "Amortization unprovided for elsewhere," or crediting account No. 461, "Miscellaneous credits," as may be appropriate.

**172. RESERVE FOR DOUBTFUL ACCOUNTS.**

To this account should be credited such amounts as may be concurrently charged to account No. 304, "Uncollectible operating revenues," to provide a reserve for doubtful accounts. If such reserve is provided, when any bill for service has proved impracticable of collection, this account should be charged and the account in which the bill is carried should be credited.

**173. INSURANCE AND CASUALTY RESERVES.**

This account should include any specific appropriation of income or surplus and such amounts as are concurrently charged to account No. 640, "Insurance," to cover self-carried risks on fire, fidelity, boiler, casualty, burglar, and other self-carried insurance. To this account should be charged the proper proportions of losses realized on items protected by such self-carried insurance.

When any admitted liability arises because of loss or damage to the property of others or because of injuries to employees or other persons, and is not previously provided for by insurance or self-insurance, the amount of the liability may be charged to the appropriate operating expense or other accounts and credited to this account, against which, in such case, the actual cost of satisfaction of the liability should be charged when determined. If the extent of the liability can not be known immediately an estimate may be charged as stated, adjustment being made when the extent of the liability is definitely ascertained. If the loss is of such character that it is in whole or in part indemnifiable under any contract of insurance carried by the company, the indemnifiable portion of the loss should be charged to the insurer and credited to this account.

**174. LIABILITY FOR PROVIDENT FUNDS.**

This account should include any specific appropriations of income or surplus and such amounts as are charged to account No. 649, "Relief department and pensions," to provide for pension, benefit, and other provident payments.

This account should include also the ledger balances covering the amount of cash and the cost or book value of securities and other assets (whether contributed by the company, by employees, or by others) in the hands of trustees or managers of employees' pension funds, savings funds,

**174. LIABILITY FOR PROVIDENT FUNDS—Continued.**

relief, hospital, and other association funds, when such trustees or managers are acting for the company in the administration of such funds; also the amount of such funds held in the company's treasury.

NOTE.—This account should not include items representing funds in which the accounting company has no beneficial interest and which it holds purely as trustee.

**175. OTHER DEFERRED CREDIT ITEMS.**

This account should include suspense account credit balances that can not be entirely cleared and disposed of until additional information is received. It should include such matters as credit balances in operating reserves created for repairs of ocean cable lines; items awaiting adjustment between accounts; credit balances in clearing accounts; amounts to be spread over a stated term and not provided for elsewhere; and other similar items.

**176. SURPLUS INVESTED SINCE DECEMBER 31, 1913, IN PLANT AND EQUIPMENT.**

This account should include such amounts of income and surplus as have been definitely appropriated or set aside and expended since December 31, 1913, for extensions or improvements of the company's plant and equipment, such appropriations to include those made for the purpose of discharging the principal (less the discount, if any, suffered at the time of sale) of obligations incurred in the acquisition of any property whose cost is carried in the plant and equipment accounts.

NOTE A.—The amounts credited to this account should be concurrently charged to account No. 332, "Appropriations of income for construction, equipment, and betterments," or No. 415, "Appropriations of surplus for construction, equipment, and betterments."

NOTE B.—This account should not include temporary appropriations for the acquisition of property the cost of which is intended later to be met by an issue of securities, nor appropriations for the payment of obligations which are intended to be replaced by new issues.

**177. SURPLUS INVESTED IN SINKING FUNDS.**

This account should include appropriations of income and surplus that are specifically invested or set aside in the hands of trustees for sinking and redemption funds, and also accretions to such funds.

**178. OTHER SURPLUS RESERVED.**

This account should include all appropriations of income and surplus held in reserve, other than appropriations invested since December 31, 1913, in plant and equipment and those invested in sinking funds. A separate subaccount should be raised for each reserve, and the entries in such subaccounts are required to be shown separately in the annual report to the Commission.

This account should include the unexpended balance, if any, of appropriations intended to be invested in plant and equipment, and such appropriations to sinking or redemption fund reserves as are not specifically invested.

**179. PROFIT AND LOSS—CREDIT BALANCE.**

Under this head should be shown the credit balance, if any, in the Profit and Loss Account. (See sec. 15, p. 15.)

**PLANT AND EQUIPMENT ACCOUNTS.****GENERAL ACCOUNTS.**

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TEXT PERTAINING TO ACCOUNTS FOR INVESTMENT IN PLANT AND EQUIPMENT.

100. PLANT AND EQUIPMENT TO JANUARY 1, 1914.

This general account is a summary of those book accounts which include the plant and equipment of the company installed prior to January 1, 1914, and which is still in service at the date of the balance sheet.

The accounts representing the plant and equipment of the company as carried on its books at the close of December 31, 1913, should be so designated upon the books of the company as to show clearly that they relate only to plant and equipment installed prior to the close of that date. (See sec. 7, p. 11.)

NOTE A.—No debits should be made to such accounts with respect to any property acquired subsequent to December 31, 1913, but the cost of such property should be charged to primary accounts Nos. 200 to 233.

NOTE B.—In the reports to the Commission a statement will be required showing the names of the plant and equipment accounts actually carried by the company on December 31, 1913, and the balances therein at the date of the report.

101. PLANT AND EQUIPMENT SINCE DECEMBER 31, 1913.

This general account is a summary of primary accounts Nos. 200 to 233, inclusive, which include the investment in plant and equipment installed since December 31, 1913. The sum of the balances in accounts Nos. 200 to 233, inclusive, as provided hereinafter, should be shown on the balance-sheet statement under this account. (See sec. 7, p. 11.)

200. ORGANIZATION.

This account should include all fees paid to governments for the privilege of incorporation, and all office and other expenditures incident to organizing the company or other enterprise and putting it in readiness to do business. This includes the cost of preparing and distributing prospectuses, the cost of soliciting subscriptions for stock, cash fees paid to promoters, actual cash value, at the time of organization, of securities paid to promoters for their services in organizing the enterprise, counsel fees, cost of preparing and issuing certificates of stock, cost of procuring certificates of necessity from State authorities, and other like costs. (See account No. 414, p. 54.)

NOTE.—The cost of soliciting for loans or for purchase of bonds or other evidences of indebtedness should not be charged to this account.

201. FRANCHISES.

This account should include the amount (exclusive of any tax or annual charge) actually paid to governments as the consideration for the grant of such franchise or right having a life of more than one year as is necessary to the conduct of the company's telegraph or cable operations, or for the extension of such franchise. If any such franchise is acquired by assignment, the charge to this account in respect thereof



## 201. FRANCHISES—Continued.

must not exceed the amount actually paid therefor by the company to its assignor nor should it exceed the amount actually paid the Government. (See account No. 652, p. 71.)

NOTE A.—Annual or more frequent payments in respect of franchises should be charged to the appropriate tax or operating expense account.

NOTE B.—Any excess of the amount actually paid by the company over the amount paid by the original grantee to the grantor of the franchise should be charged to account No. 203, "Other intangible capital." If any franchise has a life of not more than one year after the date when it is first exercised by the company, the cost of the franchise should not be charged to this account, but to the appropriate operating expense accounts or, if extending beyond the fiscal year, to account No. 124, "Other prepayments."

## 202. PATENT RIGHTS.

This account should include the cost of all rights having a life of more than one year from the date when placed in service acquired by the company in or under valid patents granted by governments to inventors for inventions and discoveries in connection with conducting telegraph or cable operations. (See account No. 652, p. 71.)

## 203. OTHER INTANGIBLE CAPITAL.

This account should include the cost of all property, not covered by the last three preceding accounts, coming within the definition of intangible capital and devoted to telegraph or cable operations. Entries of charges to this account should describe the acquired property with sufficient particularity clearly to identify it, and should also show specifically the principal from whom acquired and all agents representing such principal in the transaction; also the term of life of such property, estimated, if not known, and, if estimated, the facts upon which the estimate is based. (See account No. 414, p. 54.)

## 204. RIGHT OF WAY.

This account should include the cost of all land and interests in land acquired for the location of wires, cables, pole lines, and conduits; salaries and expenses of purchasing agents; expenses of appraisals and of juries, commissioners, or arbitrators in condemnation cases; notarial fees, real-estate brokers' commissions; cost of plats, abstracts, examination of title, recording deeds, etc.; and cost of assessments for public improvements which are not the property of the accounting company.

This account should also include the first cost of acquiring leaseholds of land for right of way, the terms of which are for more than one year each, whether acquired through direct lease, assignment, or otherwise. If any such leasehold is acquired by assignment, the charge to this account must not exceed the amount actually paid therefor by the accounting company to the assignor.

## 205. LAND.

This account should include the cost of all land and interests in land, other than right of way, acquired for use in the operation of the telegraph or cable plant, such as land occupied by general and division offices, main, local, branch, or relay telegraph or cable offices, shops, storehouses, stables, and garages. It includes the cost of examination and registration of title, conveyancer's and notary's fees, purchasing agent's commissions or proportion of purchasing agent's salary, taxes accrued to date of transfer of title, and all liens upon the title, when such costs are assumed or paid by the purchaser in its own behalf; cost of assessments for public improvements which add to the value of the lands but which are not the

## 205. LAND—Continued.

property of the accounting company, including sidewalks on public property; cost of grading land when not done in connection with buildings; costs of obtaining consents and payments for abutting damages; and expenses of condemnation proceedings.

This account should also include the first cost of acquiring leaseholds of land, other than for right of way, the terms of which are for more than one year each, whether acquired through direct lease, assignment, or otherwise. If any such leasehold is acquired by assignment, the charge to this account must not exceed the amount actually paid therefor by the accounting company to the assignor.

NOTE.—Cost of buildings and other improvements should not be included in this account. If at the time of acquisition of an interest in lands such interest extends to buildings or other improvements thereon, which improvements are devoted by the company to telegraph or cable operations, and if the price of such improvements is not determined by the contract, the buildings or improvements should be appraised at their fair cash value for use in such operations, and such appraised value should be charged to account No. 206, "Buildings." If such improvements are devoted to operations other than telegraph or cable or held as investments, the cost (or the appraised value, if the cost is not determined in the contract of acquisition) should be charged to account No. 105, "Miscellaneous investments." If the improvements are removed or wrecked, the salvage, less the cost of removal or wreckage, should be credited to this account.

## 206. BUILDINGS.

This account should include the cost of all buildings, such as general and division offices, main, local, branch, or relay telegraph or cable offices, shops, storehouses, stables, and garages devoted to the general purposes of the company; also of all permanent fixtures, such as water, steam, and gas pipes and fixtures; electric wiring and fixtures for lighting; elevators and the engines and motors specially provided for operating them; furnaces, boilers, and other apparatus provided for producing steam for such engines and for heating; and electric generators specially provided for producing current for lighting such buildings. This account should include such piers and other foundations for machinery and apparatus as are designed to be as permanent as the buildings in which, or in connection with which they are constructed, and to outlast the first machinery or apparatus mounted thereon.

It also includes the cost of real-estate brokers' commissions, examination and registration of titles, and other expenses, such as architects' fees, and supervision incident to the construction or purchase of buildings; and the cost of grading and cost of sidewalks, fences, hedges, etc., on grounds used in connection with such buildings.

NOTE.—This account should not include any telegraph or cable equipment, wiring, or apparatus for generating or controlling electricity for operation of the telegraph or cable system.

## 207. TELEGRAPH EQUIPMENT.

This account should include the cost of all electrical, mechanical, or pneumatic equipment in telegraph offices when such equipment is adapted to use in telegraph operations, such as distributing frames, switchboards, and testing apparatus; keys, relays, and sounders; operating tables; automatic transmitting and receiving apparatus; duplex, quadruplex, and repeater apparatus; engines, generators, batteries, air compressors, and other power equipment; pneumatic tubes used for conveying messages in telegraph offices; and other automatic message conveyors. Include herein the cost of all associated interior wiring, cabling, and conduits in telegraph offices.



**208. MESSENGER EQUIPMENT.**

This account should include the cost of equipment used in the operation of the messenger service, such as call circuit registers, call boxes, associated interior wiring and installation in offices and on subscribers' premises, and accessories; and also, when borne by the company, the cost of messenger uniforms.

**209. OTHER EQUIPMENT OF TELEGRAPH OFFICES.**

This account should include the cost of business equipment in telegraph offices, such as furniture, typewriters, numbering machines, and other incidental equipment used in the operating room. This account should include also furniture and equipment in managers' offices, in rest and lunch rooms, and in operators' schools; and public office furniture, such as counters, writing desks, and chairs.

**210. SUBSCRIBERS' EQUIPMENT.**

This account should include the cost (including the expense incident to installation) of telegraph equipment devoted to the use of subscribers, such as telegraph instruments and apparatus, tickers, cables, wires, and conduits on subscribers' premises.

NOTE.—Call boxes and associated interior wiring on subscribers' premises should be included under account No. 208, "Messenger equipment."

**211. POLE LINES.**

This account should include the cost of poles, towers, cross arms, pins, brackets, braces, guy wire, guy stubs, and other materials used in the construction of telegraph pole lines; also the cost of first clearing right of way.

**212. AERIAL CABLE.**

This account should include the cost of aerial cables, including the cost of suspension wire, cable clips and rings, cable boxes and fittings, pole seats and platforms, loading coils, pot heads, protectors, sleeves, and other materials used in hanging such cables.

**213. AERIAL WIRE.**

This account should include the cost of aerial wires, including insulators, sleeves, and other materials used in attaching such wires to the insulators.

**214. UNDERGROUND CONDUITS.**

This account should include the cost of conduits, including cost of pipe, cement, manholes, manhole furnishings, and other materials used; cost of connections to poles and buildings; and other costs incident to the installation of underground conduits for telegraph lines.

**215. UNDERGROUND CABLE.**

This account should include the cost of underground cables, cable boxes and fittings, and other materials used in the work of installing underground cables for telegraph lines, including as such, cables leading from main conduits to main, local, branch, or relay telegraph offices or to subscribers' premises.

**216. SUBMARINE TELEGRAPH CABLE.**

This account should include the cost of submarine cables, cable towers, cable houses or boxes and their appurtenances, when such submarine cables form a part of telegraph lines.

**217. PNEUMATIC TUBES.**

This account should include the cost of outside pneumatic tubes for telegraph lines, including the metal tubing, encasement, and manholes, and other material used in their construction.

**218. FLOATING EQUIPMENT.**

This account should include the cost of steamships, steamboats, launches, and other vessels used in the construction and maintenance of telegraph lines. This includes the cost of hulls, rigging, boilers, machinery, special apparatus, and all appurtenances and fixtures necessary to equip such vessels for service.

**219. RAILWAY EQUIPMENT.**

This account should include the cost of officers' cars, and of motor, bunk, pole, and hand cars, velocipedes, and other railway equipment used in the construction and maintenance of telegraph lines; also all appurtenances and fixtures necessary to equip such cars for service.

**220. CABLE EQUIPMENT.**

This account should include the cost of all electrical, mechanical, or pneumatic equipment in cable offices, such as switchboards and testing apparatus, keys and sounders, operating tables, perforators and recorders, power equipment, and pneumatic tubes and other message conveyors. Include herein the cost of all associated interior wiring, cabling, and conduits in cable offices.

**221. OTHER EQUIPMENT OF CABLE OFFICES.**

This account should include the cost of business equipment in cable offices, such as furniture, typewriters, numbering machines, and other incidental equipment used in the operating room. This account should include also the furniture and equipment in managers' offices, in rest and lunch rooms, and in operators' schools; and public office furniture, such as counters, writing desks, and chairs.

**222. CABLE LINES.**

This account should include the cost of cable lines, including submarine and underground cables, conduits, pole lines, aerial cables, aerial wires, and all appurtenances, when such lines are used exclusively in the operation of ocean cables.

**223. CABLE FLOATING EQUIPMENT.**

This account should include the cost of steamships, steamboats, launches, and other vessels used in the construction and maintenance of ocean cables. This includes the cost of hulls, rigging, boilers, machinery, special apparatus, and all appurtenances and fixtures necessary to equip such vessels for service.

**224. OFFICE FURNITURE AND FIXTURES.**

This account should include the cost of desks, tables, chairs, carpets, cases, movable partitions, railings, shelves, typewriters, addressing machines, adding machines, and other office devices; stoves, portable gas and electric fixtures, and other office fittings not considered a part of the building and not telegraph, messenger, and cable equipment provided for in accounts Nos. 207, 208, 209, 220, and 221. (See general note under account No. 228.)

**225. GENERAL SHOP EQUIPMENT.**

This account should include the cost of all equipment specially provided for general shops, such as engines, gas producers, electric generators, other power apparatus used in operating machinery in such shops, machine tools, shafting, belts, and like shop equipment; also such smithing equipment in general shops as is used principally for general purposes other than shoeing horses and repairing vehicles.

Portable tools and apparatus of special value may be charged to this account and remain herein so long as record is kept of such tools and apparatus. (See general note under account No. 228.)

**226. GENERAL STORE EQUIPMENT.**

This account should include the cost of all equipment of general store structures, such as movable counters, movable shelving, and other movable equipment of like nature; carts, barrows, trucks, tools, and other apparatus and appliances used in handling, storing, or packing materials and supplies. (See general note under account No. 228.)

NOTE.—Counters, shelving, and the like which are permanently attached to the structure should be charged to account No. 208, "Buildings."

**227. GENERAL STABLE AND GARAGE EQUIPMENT.**

This account should include the cost of equipment of stables and garages, including horses, harness, drays, wagons, automobiles, and other vehicles; also equipment of shoeing shops, harness repair shops, vehicle repair shops, etc. (See general note under account No. 228.)

**228. GENERAL TOOLS AND IMPLEMENTS.**

This account should include the cost of portable testing apparatus and valuable tools and implements devoted to the maintenance or construction of the telegraph or cable plant and not provided for in the equipment accounts.

NOTE.—This account should not include tools not yet in use carried as supplies unissued, nor any small hand tools provided for in clearing account No. 703, "Tool expense."

GENERAL NOTE TO ACCOUNTS 224 TO 228.—Items of small value or short life, such as portable tools liable to be lost or stolen, temporary shelving, waste baskets, and brooms, should be charged directly to operating expense accounts or to clearing accounts.

**229. INTEREST DURING CONSTRUCTION.**

This account should include the interest accrued upon all moneys (and credits available upon demand) devoted to the construction and equipment of the property from the time of such devotion until the construction is ready for use, and such proportion of the discount and expense on funded debt as is equitably assignable to the period between the date of the issuance of securities and the time when the property acquired, or the improvement made through such issuance, becomes available for the service for which it is intended. The proportion of interest, discount, and expense thus chargeable should be that which the period prior to the completion or coming into service of the facilities or improvements constructed bears to the entire life of the securities issued. (See sec. 9, p. 12.)

Interest receivable accrued upon such moneys (and upon such credits) should be credited to this account. If any property with respect to which an interest charge is included in this account is withdrawn or retired from service, the amount of such interest (estimated, if not

**229. INTEREST DURING CONSTRUCTION—Continued.**

known) should be credited to this account and charged off as a part of the original cost of the property so retired.

NOTE.—No interest upon expenditures for replacements or reconstruction should be included in this account unless proper credits are made to the appropriate plant and equipment accounts for any interest included in such accounts in respect of the property retired or withdrawn.

**230. UNDISTRIBUTED ENGINEERING AND SUPERINTENDENCE.**

This account should include expenditures for services and expenses of engineers, draftsmen, and superintendents employed on preliminary and construction work, including instruments and supplies, when such expenditures can not be assigned to specific construction accounts.

**231. UNDISTRIBUTED LAW EXPENDITURES.**

This account should include, when not chargeable directly to the account for which incurred, general law expenditures incurred in the construction of the telegraph or cable plant, such as the pay and expenses of counsel, solicitors, and attorneys, their clerks and attendants, and expenses of their offices; the cost of printing briefs, legal forms, testimony, reports, etc.; payments to arbitrators for the settlement of disputed questions; cost of suits, payments of special fees, notarial fees, witness fees, and other court expenses.

NOTE.—If separable, expenditures incurred in connection with the acquisition of right of way should be charged to account No. 204, "Right of way," those incurred in the acquisition of other land to account No. 205, "Land," and those incurred in connection with the organization of the corporation to account No. 200, "Organization."

**232. TAXES DURING CONSTRUCTION.**

This account should include all taxes and assessments levied and paid on property belonging to the company while under construction and before the plant is opened for operation, except special taxes assessed for improvements.

NOTE.—Special taxes assessed for street and other improvements, such as grading, sewerage, curbing, guttering, paving, and sidewalks, should be charged to the account to which the property benefited is charged.

**233. MISCELLANEOUS CONSTRUCTION EXPENDITURES.**

This account should include items which can not properly be charged to any other plant and equipment account, such as salaries and expenses of executive and general officers of the company before it is ready to begin operations and of clerks in general offices engaged on construction accounts or work; rent and repair of general offices when rented, with the office expenses; insurance premiums during construction; also other construction and equipment items of a special and incidental nature.

This account may include a suitable proportion of supply expense (as defined in account No. 704) applicable to construction, when not assignable to specific materials.

NOTE.—This account should not include any costs of organization, or any costs or discounts connected with the issue and disposal of stocks, bonds, or other securities, or commercial paper.

## INCOME STATEMENT.

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TEXT PERTAINING TO ACCOUNTS IN THE INCOME STATEMENT.

I. OPERATING INCOME.

300. TELEGRAPH AND CABLE OPERATING REVENUES.

This account should include the total operating revenues derived from the telegraph and cable operations of the company for the period covered by the income statement. (For the primary operating revenue accounts, see pp. 59 to 61.)

301. TELEGRAPH AND CABLE OPERATING EXPENSES.

This account should include the total operating expenses of the telegraph and cable operations of the company for the period covered by the income statement. (For the primary operating expense accounts, see pp. 65 to 71.)

302. OTHER OPERATING REVENUES.

This account should include the total revenues of the company derived from operations other than telegraph and cable operations, for the period covered by the income statement. This account includes the revenue derived from the operation of property carried in balance-sheet account No. 105, "Miscellaneous investments," when such property is operated by the accounting company.

303. OTHER OPERATING EXPENSES.

This account should include the total expenses of operations other than telegraph and cable operations for the period covered by the income statement. This account includes the expenses of the operation of property carried in balance-sheet account No. 105, "Miscellaneous investments," when such property is operated by the accounting company.

304. UNCOLLECTIBLE OPERATING REVENUES.

This account should include the amount of any accounts for telegraph, cable, and other services which, after a reasonably diligent effort to collect, have proved impracticable of collection. This account should include only uncollectible bills for amounts which have been treated as operating revenues.

This account may include monthly charges, based upon estimates, to create a reserve for uncollectible bills, provided such reserve is adjusted annually in accordance with the experience of the accounting company. Such amounts should be credited to account No. 172, "Reserve for doubtful accounts," against which should be charged bills that have proved impracticable of collection.

NOTE.—Uncollectible bills for amounts which have not been treated as operating revenues should be charged to account No. 328, "Miscellaneous deductions from income," or to Profit and Loss Account, as may be appropriate.



**305. TAXES ASSIGNABLE TO OPERATIONS.**

This account should include Federal, State, county, municipal, and other taxing-district taxes relating to telegraph and cable property, operations, and privileges for the period for which the Income Account is stated; also annual or more frequent payments in respect of franchises. This account should also include the taxes on other property and operations, the revenues and expenses of which are included in accounts Nos. 302 and 303, respectively. (See sec. 14, p. 14.)

**II. NONOPERATING INCOME.****310. INCOME FROM LEASE OF PLANT.**

This account should include all income accrued from the company's interest in telegraph or cable plant (including the equipment and other property covered by the contract) held by others under some form of lease whereby the company surrenders possession of such property for operating purposes.

This account should include the entire amount of rent (except taxes) receivable by the lessor according to the terms of lease or other agreement, whether it is paid to the lessor in cash or is disbursed by the lessee for the account of the lessor as interest on funded debt, guaranteed dividends on stock, or otherwise.

This account is intended to cover only rents receivable for the use of an entire telegraph or cable plant or an important section of a telegraph or cable plant.

When the lessor company maintains the plant and equipment leased, the cost of maintaining the property rented should be charged to this account.

**311. MISCELLANEOUS RENT INCOME.**

This account should include the income accruing to the company as a return upon rented property, other than telegraph or cable plant provided for in account No. 310.

This account should include such items as the rent from lands, buildings, wires, instruments, ducts, short portions of pole lines, and short sections of conduits.

To this account should be charged the cost of maintenance of the property rented, also incidental expenses in connection with such property, such as the cost of negotiating contracts, advertising for tenants, fees paid conveyancers, collectors' commissions, and analogous items.

NOTE.—If the property rented is so intimately connected with property used in the company's telegraph or cable operations that the expenses of the former can not be ascertained, the revenues should be credited to account No. 520 or No. 521 as may be appropriate, and the expenses in connection with the rented property should be included in operating expenses.

**312. DIVIDEND INCOME.**

This account should include dividends declared on stocks, the income from which is the property of the accounting company, whether such stocks are owned by the accounting company and held in its treasury or deposited in trust, or are controlled through lease or otherwise. Accruals of guaranteed dividends may be included in this account if their payment is reasonably assured.

NOTE A.—This account should not include credits for dividends on stocks issued or assumed by the accounting company and owned by it, whether held in its

**312. DIVIDEND INCOME—Continued.**

treasury, in special deposits, or in sinking or other reserve funds, or pledged as collateral.

NOTE B.—Dividends on stocks of other companies held in sinking or other reserve funds should be credited to account No. 314, "Sinking and other reserve fund accretions."

**313. INTEREST INCOME.**

This account should include interest on bonds and other funded securities and on debenture stock of other companies, the income from which is the property of the accounting company, whether such securities are owned by the accounting company and held in its treasury or deposited in trust, or are controlled through lease or otherwise; also interest on notes, bank balances, and open accounts; discount on short-term notes and other analogous items. Interest accrued should not be credited unless its payment is reasonably assured by past experience, guaranty, anticipated provision, or otherwise; in other cases the credit to this account should be based upon the interest actually collected.

At the option of the company there may be included in this account the portion applicable to the fiscal period of the amount requisite to extinguish, during the interval between the date of acquisition and the date of maturity, the discount or premium on funded securities of other companies.

NOTE A.—This account should not include amounts under the name or in the form of interest on funded securities issued or assumed by the accounting company and owned by it, whether held in its treasury, in special deposits, or in sinking or other reserve funds, or pledged as collateral.

NOTE B.—Interest on funded securities of other companies held in sinking or other reserve funds should be included in account No. 314, "Sinking and other reserve fund accretions."

**314. SINKING AND OTHER RESERVE FUND ACCRETIONS.**

This account should include income accruing on cash, securities, and other assets in the hands of the trustees or specifically set aside for sinking and other reserve funds, other than securities issued or assumed by the accounting company.

At the option of the company there may be included in this account the portion applicable to the fiscal period of the amount requisite to extinguish, during the interval between the date of acquisition and the date of maturity, the discount or premium on funded securities of other companies held in sinking or other reserve funds.

NOTE.—If the income on any special fund is retained in the fund and if the fund is represented by a reserve, the amounts credited to this account in respect to such income should be concurrently charged to account No. 330, "Appropriations of income to sinking and other reserve funds," and credited to the appropriate reserve account or accounts.

**315. PROFITS FROM OPERATIONS OF OTHERS.**

This account should include income accruing to the accounting company from operations of others whenever in accordance with the terms of any contract the company is entitled to participate in the profits from such source.

NOTE.—This account should not include dividends or other returns upon securities issued by such separately operating company.

**316. MISCELLANEOUS NONOPERATING INCOME.**

This account should include all nonoperating income not provided for in the foregoing accounts.



## III. DEDUCTIONS FROM GROSS INCOME.

## 320. RENT FOR LEASE OF PLANT.

This account should include all amounts accrued against the company for rent of telegraph or cable plant (including the equipment and other property covered by the contract) which it holds under some form of lease from another, and of which it has exclusive possession for operating purposes.

This account should include the entire amount of rent (except taxes) payable by the lessee according to the terms of lease or other agreement, whether it is paid to the lessor in cash or is disbursed by the lessee for the account of the lessor as interest on funded debt, guaranteed dividends on stock, or otherwise.

This account is intended to cover only the rents payable for the use of an entire telegraph or cable plant or an important section of a telegraph or cable plant.

## 321. MISCELLANEOUS RENTS.

This account should include amounts accrued as due for rents of wires, ducts, conduits, subways, land, pole lines as supports for wire, and other property not provided for elsewhere, when leased for more than one year.

NOTE.—Rents for similar property when for periods of one year or less should be charged to account No. 607, "Minor rents for property."

## 322. INTEREST ON FUNDED DEBT.

This account should include the current accruals of interest on all classes of unmatured funded debt issued or assumed by the accounting company; interest on receiver's certificates issued for a term of more than one year; and interest accruals on debenture stock.

NOTE A.—Interest accruing on funded securities after maturity should be included in account No. 323, "Other interest deductions."

NOTE B.—This account should not include amounts under the name or in the form of interest on securities held by the company in its treasury, in sinking or other reserve funds, or pledged as collateral. If any of the funded debt securities issued or assumed by the company are held in its sinking or other reserve funds, other than funds covered by account No. 120, "Provident fund assets," and amounts are assigned to such funds under the name or in the form of interest on such securities, such amounts should not be charged to this account as interest on funded debt, but to account No. 330, "Appropriations of income to sinking and other reserve funds."

## 323. OTHER INTEREST DEDUCTIONS.

This account should include all interest accrued on unfunded debt, such as notes payable on demand or having dates of maturity one year or less from date of issue, discount on short-term notes, interest on open accounts, and other analogous items; also interest accruing on funded debt securities after maturity of debt.

## 324. NONOPERATING TAXES.

This account should include all taxes accrued other than those provided for in account No. 305, "Taxes assignable to operations," such as taxes on securities owned, taxes on income from securities owned, taxes on nonoperated property, and analogous items.

## 325. LOSS ON OPERATIONS OF OTHERS.

This account should include all liabilities accruing against the company whenever, in accordance with the terms of any contract, the company is bound to contribute toward reimbursement of the losses resulting from the operations of others.

## 326. AMORTIZATION OF DEBT DISCOUNT AND EXPENSE.

Charge to this account during each fiscal period that proportion of the unamortized discount and expense on outstanding funded debt which is applicable to the period. (See sec. 5, p. 10.)

## 327. RELEASE OF PREMIUMS ON DEBT—CR.

Credit to this account during each fiscal period the proportion of the premium at which outstanding funded debt was issued which is applicable to the period. (See sec. 5, p. 10.)

## 328. MISCELLANEOUS DEDUCTIONS FROM INCOME.

This account should include all items not provided for elsewhere properly chargeable to gross income for the fiscal period. Among other items it should include deductions from gross income which are in the nature of fixed charges and are not otherwise provided for, such as those required by the terms of some contract, agreement, law, or ordinance. This account should not include any appropriations of income that rest solely in the discretion of the accounting company.

## IV. DISPOSITION OF NET INCOME.

## 330. APPROPRIATIONS OF INCOME TO SINKING AND OTHER RESERVE FUNDS.

This account should include amounts of income appropriated for sinking and other reserve funds. The terms of mortgages, deeds of trust, or other contracts providing for the allocation of income or for the payment of definite sums into sinking and other reserve funds, and for accretions to such funds on account of income from previous investments, may be made the bases of such appropriations.

The appropriations for payments or accretions to the funds may include (1) direct payments, (2) amounts assigned under the name or in the form of interest or dividends on securities issued or assumed by the accounting company and held in such funds, (3) income from investments in securities held in such funds other than those issued or assumed by the accounting company, and (5) income from cash and other property held in such funds.

NOTE A.—The amounts charged to this account should be concurrently credited to the appropriate reserve account or accounts.

NOTE B.—If appropriations for direct payments are made from surplus, they should be charged to account No. 411, "Appropriations of surplus to sinking and other reserve funds."

## 331. DIVIDEND APPROPRIATIONS OF INCOME.

This account should include amounts definitely declared payable from income as dividends on actually outstanding capital stock issued or assumed by the accounting company, other than debenture stock.

If a dividend is payable in any thing other than money, such thing should be described in the entry with sufficient particularity to identify it.

This account should be subdivided so as to show separately the dividends on the various classes of capital stock. (See account No. 150.)

NOTE A.—The payments of interest on debenture stock should be charged to account No. 322, "Interest on funded debt."

NOTE B.—This account should not include charges under the name or in the form of dividends on capital stock issued or assumed by the accounting company and owned by it, whether held in its treasury, in special deposits, or in sinking

**331. DIVIDEND APPROPRIATIONS OF INCOME—Continued.**

or other reserve funds, or pledged as collateral. (See account No. 330, "Appropriations of income to sinking and other reserve funds.")

NOTE C.—This account should be used unless appropriations are definitely made chargeable to surplus, in which case they should be charged to account No. 412, "Dividend appropriations of surplus."

**332. APPROPRIATIONS OF INCOME FOR CONSTRUCTION, EQUIPMENT, AND BETTERMENTS.**

This account should include amounts appropriated from income for construction and equipment and for betterments of property carried in plant and equipment accounts.

These amounts should be subdivided so as to show (a) amounts expended during preceding fiscal periods, (b) amounts expended during the current fiscal period, and (c) amounts held in reserve.

NOTE.—This account should be used unless appropriations are definitely made chargeable to surplus, in which case they should be charged to account No. 415, "Appropriations of surplus for construction, equipment, and betterments."

**333. MISCELLANEOUS APPROPRIATIONS OF INCOME.**

This account should include appropriations of income not provided for elsewhere.

NOTE.—This account should be used unless appropriations are definitely made chargeable to surplus, in which case they should be charged to account No. 416, "Miscellaneous appropriations of surplus."

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TEXT PERTAINING TO PROFIT AND LOSS ACCOUNTS.

I. CREDITS.

400. CREDIT BALANCE TRANSFERRED FROM INCOME ACCOUNT.

Under this title should be shown the amount of net income brought forward from the Income Account.

401. MISCELLANEOUS CREDITS.

This account should include amounts, not provided for elsewhere, transferred to Profit and Loss from other accounts, and amounts representing increases in resources not properly assignable to the income of the fiscal period for which the accounts are stated. Among the items which should be credited to this account are—

Adjustment or cancellation of old balance-sheet accounts,

Profits derived from the sale of property carried in account No. 105, "Miscellaneous investments,"

Credits resulting from adjustments required to bring to par securities issued or assumed by the accounting company and reacquired at a cost less than the par value,

Premium on capital stock at the time of its reacquirement,

Unextinguished premiums on funded debt reacquired before maturity.

II. DEBITS.

410. DEBIT BALANCE TRANSFERRED FROM INCOME ACCOUNT.

Under this title should be shown the amount of net loss brought forward from the Income Account.

411. APPROPRIATIONS OF SURPLUS TO SINKING AND OTHER RESERVE FUNDS.

This account should include amounts definitely appropriated from surplus and applied to sinking and other reserve funds. The terms of mortgages, deeds of trust, or other contracts providing for the allocation of surplus or for the payment of definite amounts into sinking and other reserve funds may be made the basis of such appropriations.

If appropriations are made from surplus to cover sums equivalent to dividends on stock issued or assumed by the accounting company and held in such funds the amounts of such appropriations may be included in this account.

NOTE A.—If similar appropriations are made from income, they should be charged to account No. 330, "Appropriations of income to sinking and other reserve funds."

NOTE B.—If appropriations are made to cover the income accruing on sinking fund assets and to cover amounts equivalent to interest on securities issued or assumed by the accounting company and held in such funds, the amounts of such appropriations should be included in account No. 330, "Appropriations of income to sinking and other reserve funds." If appropriations are made from income to cover sums equivalent to dividends on stock issued or assumed by the accounting company and held in such funds, the amounts of such appropriations may be included in account No. 330.

NOTE C.—The amounts charged to this account should be concurrently credited to the appropriate reserve account or accounts.

**412. DIVIDEND APPROPRIATIONS OF SURPLUS.**

This account should include amounts definitely declared payable from surplus as dividends on actually outstanding capital stock issued or assumed by the accounting company, other than debenture stock.

If a dividend is payable in any thing other than money, such thing should be described in the entry with sufficient particularity to identify it.

This account should be subdivided so as to show separately the dividends on the various classes of capital stock. (See account No. 150.)

NOTE A.—Interest accrued on debenture stock should be charged to account No. 322, "Interest on funded debt."

NOTE B.—This account should not include charges under the name or in the form of dividends on capital stock issued or assumed by the accounting company and owned by it, whether held in its treasury, in special deposits, in sinking or other reserve funds, or pledged as collateral. (See account No. 411, "Appropriations of surplus to sinking and other reserve funds.")

NOTE C.—If similar appropriations are made from income, they should be charged to account No. 331, "Dividend appropriations of income."

**413. REALIZED DEPRECIATION NOT COVERED BY RESERVES.**

This account should include the realized depreciation (the difference between the original cost and the salvage, if any) on tangible property retired, if such depreciation has not been provided for through a depreciation reserve. This includes such portion of the realized depreciation on any physical property which was installed prior to the period for which the reserve was established as is due to life in service before that date. This portion may be estimated on the basis of the proportion which the life in service of the property in question prior to the period for which the reserve was established bears to its entire life in service. (See sec. 21, p. 16.)

**414. AMORTIZATION UNPROVIDED FOR ELSEWHERE.**

Charge to this account, when any intangible property expires or is relinquished, such portion of its cost as has not been previously written off or provided for in account No. 171, "Reserve for amortization of intangible capital." Charge also to this account all optional amortization, such as that of assets carried in accounts No. 200, "Organization," and No. 203, "Other intangible capital."

**415. APPROPRIATIONS OF SURPLUS FOR CONSTRUCTION, EQUIPMENT, AND BETTERMENTS.**

This account should include amounts appropriated from surplus for construction and equipment and for betterments of property carried in the plant and equipment accounts.

These amounts should be subdivided so as to show (a) amounts expended during preceding fiscal periods, (b) amounts expended during the current fiscal period, and (c) amounts held in reserve.

NOTE.—This account should be used if appropriations are definitely made as chargeable to surplus. If similar appropriations are made from income, they should be charged to account No. 332, "Appropriations of income for construction, equipment, and betterments."

**416. MISCELLANEOUS APPROPRIATIONS OF SURPLUS.**

This account should include appropriations of surplus not provided for elsewhere.

NOTE.—This account should be used when the appropriations are definitely made as chargeable to surplus. If similar appropriations are made from income, they should be charged to account No. 333, "Miscellaneous appropriations of income."

**417. MISCELLANEOUS DEBITS.**

This account should include amounts transferred from Profit and Loss to other accounts and not provided for elsewhere, amounts written off in consequence of adjustments, and payments not properly chargeable to Income for the fiscal period for which the accounts are stated. Among the items which should be charged to this account are—

Adjustment or cancellation of old balance-sheet accounts,  
Losses resulting from the sale, destruction, or retirement of property carried in account No. 105, "Miscellaneous investments."

Losses resulting from adjustments required to bring to par securities issued or assumed by the accounting company and reacquired at a cost exceeding the par value,

Deductions made to extinguish discount on capital stock,

Deductions made to amortize debt discount and expense.

NOTE.—A complete analysis of this account will be required in the annual reports of the company to the Commission.

## OPERATING REVENUE ACCOUNTS.

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TEXT PERTAINING TO OPERATING REVENUE ACCOUNTS.

I. REVENUES FROM TRANSMISSION—TELEGRAPH.

500. COMMERCIAL TELEGRAPH TOLLS.

This account should include all revenues derived from the transmission of telegraph messages at commercial rates; also from transmission of telegraph messages at government rates, when collection is made at local offices. This includes the revenues on messages handled exclusively by the accounting company; also the company's proportion of revenues on through messages handled jointly with land-line telegraph, wireless telegraph, telephone, and other companies.

NOTE.—Land-line telegraph companies' earnings on cable messages should be included in account No. 501, "Telegraph tolls on cable messages."

501. TELEGRAPH TOLLS ON CABLE MESSAGES.

This account should include all revenues of land-line telegraph companies derived from the transmission of cable messages over land lines at commercial rates. The revenue to be credited to this account may be based on the local rates of the land-line telegraph company or on its proportion of through rates.

502. GOVERNMENT TELEGRAPH TOLLS.

This account should include all revenues derived from the transmission of messages at government rates when settlements for such messages are made through the general offices of the company, including telegraph messages and land-line transmission of wireless and cable messages.

503. PRESS TELEGRAPH TOLLS.

This account should include all revenues derived from the transmission of press messages at other than commercial rates, including telegraph messages and land-line transmission of wireless and cable press messages.

504. MONEY TRANSFER TOLLS.

This account should include all revenues derived from the transmission of messages incident to the transfer of money, including telegraph messages and land-line transmission of wireless and cable messages.

NOTE.—The premiums on the money transferred should be credited to account No. 522, "Money transfer premiums."

505. STOCK AND COMMERCIAL NEWS REVENUES.

This account should include all revenues derived from the transmission or sale of stock and other market reports, sporting news, election returns, marine reports, and similar items.

506. OTHER TELEGRAPH TRANSMISSION REVENUES.

This account should include all revenues derived from the transmission of telegraph messages and not provided for elsewhere.

**507. TELEPHONE TRANSMISSION TOLLS—Dr.**

This account should include charges for amounts due telephone companies for the transmission of telegrams and cablegrams over telephone lines. The amounts so chargeable may be the telephone companies' proportions of the through rate or may be the telephone companies' charges for toll or exchange service.

NOTE.—If telephones installed for the transaction of ordinary business are used only incidentally for the transmission of telegrams or cablegrams, the entire expense of such telephones may be charged to the appropriate operating expense accounts and no charge need be made to this account.

**II. REVENUES FROM TRANSMISSION—CABLE.****510. COMMERCIAL CABLE TOLLS.**

This account should include all revenues derived from the transmission of messages by ocean cable lines at commercial rates; also from transmission of messages at government rates, when collection is made at local offices. The revenue to be credited to this account may be based on the rates of the company for cable service or on the proportion of through rates for cable and land-line telegraph service.

**511. GOVERNMENT CABLE TOLLS.**

This account should include all revenues derived from the transmission of messages by ocean cable lines at government rates, when settlements for such messages are made through the general offices of the company.

**512. PRESS CABLE TOLLS.**

This account should include all revenues derived from the transmission of press messages by ocean cable lines at other than commercial rates.

**513. OTHER CABLE TRANSMISSION REVENUES.**

This account should include all revenues derived from the transmission of messages by ocean cable lines and not provided for elsewhere.

**III. REVENUES FROM OPERATIONS OTHER THAN TRANSMISSION.****520. RENTS FROM LEASED WIRES.**

This account should include all revenues accruing as rent from wires used by telegraph companies, telephone companies, brokers, and others, when the expense of maintaining such wires can not be separated from the maintenance of lines used by the company.

NOTE.—If the expenses on the leased wires can be ascertained, the rents received and the expenses in connection with such wires should be included in account No. 311, "Miscellaneous rent income."

**521. RENTS FROM OTHER OPERATED PROPERTY.**

This account should include all revenues accruing as rent for the use by others of lands, buildings, poles, conduits, and other property except wires, when such property is used also by the company and the expense of maintaining and operating the rented portion can not be separated from the total expense.

NOTE.—If the expenses on the rented property can be ascertained, the rents received and the expenses in connection with such property should be included in account No. 311, "Miscellaneous rent income."

**522. MONEY TRANSFER PREMIUMS.**

This account should include revenues derived from premiums on money transferred by telegraph or ocean cable.

NOTE.—The tolls for the transmission of messages incident to money transfers should be credited to account No. 504, "Money transfer tolls," or to account No. 510, "Commercial cable tolls."

**523. MESSENGER SERVICE REVENUES.**

This account should include all revenues derived from messenger service when such service is not included in the rate charged for the transmission of messages.

**524. TIME SERVICE REVENUES.**

This account should include all revenues accruing for self-winding clock and other time service.

**525. OTHER NONTRANSMISSION REVENUES.**

This account should include all nontransmission operating revenues not provided for elsewhere. This includes the profit on condensation of money-transfer messages for transmission by wireless and ocean cable.

**IV. CONTRACT PAYMENTS TO TRANSPORTATION COMPANIES.****530. CONTRACT REVENUES—Dr.**

This account should include payments to transportation companies covering the proportion of receipts due such companies under the provisions of operating contracts.

## OPERATING EXPENSE ACCOUNTS.

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## TEXT PERTAINING TO OPERATING EXPENSE ACCOUNTS.

### I. MAINTENANCE.

**NOTE APPLICABLE TO ALL MAINTENANCE ACCOUNTS.**—If a company conducts both telegraph land-line operations and ocean cable operations, each of the primary maintenance expense accounts relating to both classes of operations should be subdivided so as to show separately the expenses for each of the two classes of operations.

#### 600. SUPERVISION OF MAINTENANCE.

This account should include the pay and office and traveling expenses of officers and their assistants when directly in charge of maintenance, including general, division, and district plant superintendents, engineers, architects, and their office and field forces, but not including foremen and superintendents of repair gangs; also that portion of the salaries and expenses of the general engineering staff of the company which is assignable to maintenance.

It should also include the cost of repairs of drafting and engineering instruments and the original cost of such instruments as are not properly chargeable to the plant and equipment accounts; the cost of office and other supplies (including postage, stationery, and printing) used by officers and employees whose salaries are charged to this account; rent and repairs of rented offices; and janitor service, light, heat, and miscellaneous office expenses where separate offices are maintained for such employees.

#### 601. REPAIRS OF OFFICE EQUIPMENT.

This account should include the cost of repairs of telegraph, messenger, or cable equipment in main, local, branch, or relay telegraph or cable offices or on subscribers' premises. It includes the cost of repairs of electrical, mechanical, or pneumatic equipment in offices, such as distributing frames, switchboards, and testing apparatus; keys, relays, and sounders; operating tables; automatic transmitting and receiving apparatus; duplex, quadruplex, and repeater apparatus; engines, generators, batteries, air compressors, and other power equipment; pneumatic tubes in telegraph offices and other automatic message conveyors; interior wiring, cabling, and conduits; also the cost of repairs of call registers, call boxes, and accessories; and of office furniture and other equipment of telegraph and cable offices.

#### 602. REPAIRS OF AERIAL PLANT.

This account should include the cost of repairs of telegraph plant classed as aerial plant, such as poles, towers, cross arms, pins, brackets, and other pole fixtures; braces, guy wires, guy stubs, and other pole supports; aerial cables, and the suspension wires, bolts, clamps, rings, hangers, etc., used to attach cables to poles, towers, or other supports; cable boxes and their appurtenances; and aerial wires, tie wires, insulators, and sleeves. It includes also the cost of trimming trees and clearing and removing obstructions from right of way for aerial plant, other than the first cost.

**NOTE.**—The cost of first clearing of right of way for aerial plant is provided for in plant and equipment account No. 211, "Pole lines."

**603. REPAIRS OF UNDERGROUND PLANT.**

This account should include the cost of repairs of telegraph plant classed as underground plant, such as underground conduits and their appurtenances; outside pneumatic tubes and their appurtenances; underground cables, submarine telegraph cables, and towers, boxes, and fittings belonging to such cables. It includes also the cost of repairing right of way for underground and submarine cables, and the cost of repaving after repairs of underground conduits.

**604. REPAIRS OF OCEAN CABLE LINES.**

This account should include the cost of repairs of ocean cable lines, and of aerial and underground cables, conduits, pole line, and wires, and their appurtenances, used exclusively in the operation of ocean cables.

This account may include each month a proportion of the total amount authorized or appropriated for ocean cable repairs during a term of years regardless of the month in which the actual repairs are made.

**605. REPAIRS OF BUILDINGS AND GROUNDS.**

This account should include the cost of repairs to the structures and permanent fixtures of general and division offices; of main, local, branch, or relay telegraph and cable offices and test stations; and of storehouses, shops, stables, and garages, such fixtures including elevators, plumbing, and plants for heat, light, ventilation, and power, but not including telegraph or cable apparatus. This account should include also the cost of maintaining yards and grounds, with their fences, sidewalks, sewers, etc., appurtenant to such buildings.

**606. TESTING AND REGULATING.**

This account should include the pay and expenses of wire chiefs, test-board chiefs, repeater chiefs, multiplex chiefs, and their assistants, engaged in interior testing and patching wires, and in watching and regulating the operation of repeater and multiplex apparatus.

**607. MINOR RENTS FOR PROPERTY.**

This account should include amounts payable for rents of wires, ducts, conduits, lands, pole lines and other supports for wires, and other property, when rented for one year or less.

NOTE.—Rents for similar property when leased for more than one year should be charged to account No. 321, "Miscellaneous rents."

**608. DEPRECIATION OF PLANT AND EQUIPMENT.**

This account should include monthly the amount estimated to be necessary to cover the depreciation accruing during the month in the company's tangible plant and equipment, except that provided for in the clearing accounts. (See sec. 21, p. 16.)

NOTE.—Amounts charged to this account should be concurrently credited to account No. 170, "Reserve for accrued depreciation."

**609. EXTRAORDINARY DEPRECIATION.**

This account should be charged monthly such an amount as will, through its regular application, amortize the amount carried in suspense on account of extraordinary casualties and unanticipated reconstruction. (See sec. 22, p. 17.)

**610. OTHER MAINTENANCE EXPENSES.**

This account should include the cost, when not provided for elsewhere, of repairing telegraph and cable plant and equipment.

**611. REPAIRS CHARGED TO RESERVES—CR.**

Credit to this account and charge concurrently to account No. 170, "Reserve for accrued depreciation," an amount equal to the cost of extraordinary repairs for which provision has been made in that reserve; also credit to this account and charge concurrently to the insurers or to the insurance reserve an amount equal to the cost of repairs made necessary by casualties when such cost is covered by insurance or an insurance reserve. (See sec. 19, p. 15.)

**II. CONDUCTING OPERATIONS.**

**NOTE APPLICABLE TO ALL ACCOUNTS IN CONDUCTING OPERATIONS.**—If a company conducts both telegraph land-line operations and ocean cable operations, each of the primary expense accounts under the head of conducting operations, when relating to both classes of operations, should be subdivided so as to show separately the expenses for each of the two classes of operations.

**620. SUPERVISION OF OPERATIONS.**

This account should include the pay and expenses of officers and their assistants when in charge of commercial and traffic departments; the pay and expenses of their office and field forces; cost of office and other supplies (including postage, stationery, and printing) used by officers and employees whose salaries are charged to this account; rent and cost of repairing rented offices, janitor service, light, heat, and miscellaneous office expenses, if separate offices are maintained for such officers and employees.

This account should include the entire pay of managers and chief operators who are engaged exclusively in the supervision of commercial and traffic matters.

**621. OPERATORS.**

This account should include the pay of operators and attendants in main, local, branch, or relay offices engaged in the transmission of messages; also commissions paid in lieu of, or in addition to, salaries.

This account may include the entire pay of managers, chief operators, and operators who are engaged principally in the transmission of messages and are engaged only incidentally in performing other duties.

**622. TELEGRAPH AND CABLE OFFICE CLERKS.**

This account should include the pay of bookkeepers, clerks, and attendants engaged in receiving and delivering messages at counters, quoting rates, collecting charges, keeping accounts, and performing other clerical duties in telegraph or cable offices.

**623. MESSENGER SERVICE EXPENSES.**

This account should include the pay and expenses of messengers engaged in the collection and delivery of messages and in the performance of other messenger service for which collection is made by the company; also the cost of repairs to messengers' uniforms, when borne by the company.

To this account should be credited rents received by the company for use of messengers' uniforms.

**624. OPERATING POWER.**

This account should include the cost of generating power for the operation of telegraph and cable wires and accessory apparatus, the cost of supplies used in operating power plants, the cost of battery solution and materials, and the cost of purchased power.



**625. RENTS OF TELEGRAPH AND CABLE OFFICES.**

This account should include amounts accrued payable as rent of local telegraph and cable offices, including furnished janitor service, light, heat, and maintenance covered by the rent payments; also the cost of repairing rented telegraph and cable offices when repairs are borne by the lessee.

**626. TELEGRAPH AND CABLE OFFICE STATIONERY AND PRINTING.**

This account should include the cost of postage, stationery, stationery supplies, and printing used in telegraph or cable offices.

**627. OPERATORS' SCHOOLING.**

This account should include the cost of training new operators, either in school or otherwise, including wages paid them for which no service is rendered, salaries and expenses of instructors, and cost of supplies furnished to schools for operators.

**628. REST AND LUNCH ROOMS.**

This account should include the cost of conducting rest and lunch rooms for the operating force, including the cost of lunches furnished. To this account should be credited amounts received by the company for lunches served.

**629. MISCELLANEOUS TELEGRAPH AND CABLE OFFICE EXPENSES.**

This account should include the travelling expenses of managers and chief operators whose pay is chargeable to account No. 621, and of operators, clerks, and attendants employed in main, local, branch, or relay telegraph and cable offices; the cost of office supplies not properly chargeable to the plant and equipment accounts, and not provided for in account No. 626; the cost of water, ice, fuel, light, towels, toilet supplies, and of janitor service and other care of main, local, branch, or relay telegraph and cable offices.

**630. OBTAINING STOCK AND COMMERCIAL NEWS.**

This account should include all expenses incident to the gathering of information relative to stock and other market quotations, transactions in securities, sporting news, election returns, marine reports, and similar items subsequently disseminated as stock and commercial news.

**631. TELEPHONE COMPANY SERVICE.**

This account should include amounts accruing to telephone companies for services rendered by employees of telephone companies in joint offices, such as receiving messages from the public, delivering messages to the public, quoting rates, collecting charges, and making reports; also amounts due in the form of commissions or otherwise to telephone companies for collecting charges at other than joint offices.

NOTE.—Amounts due telephone companies for transmission of messages over their wires should be charged to account No. 507, "Telephone transmission tolls—Dr."

**632. COMMISSIONS.**

This account should include commissions for originating or handling messages or for other commercial service connected with revenue messages, when payable to individuals not employees of the company, such as operators employed by transportation companies, and when payable to concerns other than telephone companies, such as hotels, stores, and apartment houses.

NOTE.—Commissions paid employees in lieu of or in addition to salaries should be charged to the salary accounts appropriate to such employees. Commissions paid to persons conducting telephone operations should be charged to account No. 631, "Telephone company service."

**633. ADVERTISING AND SOLICITING.**

This account should include the pay and expenses of advertising and soliciting agents; cost of commercial advertising in newspapers or magazines; and cost of posters, bulletins, advertising sundries, booklets, and other related items.

**634. TRAFFIC DAMAGES.**

This account should include payments made in settlement of damage claims arising out of delays and errors in service, and expenses directly incident to such claims, including the pay and expenses of witnesses in law suits involving such claims, but not including law expenses.

NOTE A.—Where telegraph and cable tolls are refunded under a claim of failure in service, the amounts of the tolls should be charged to the appropriate revenue accounts.

NOTE B.—Payments on account of injuries to persons or damage to property should be charged to account No. 647, "Accidents and damages."

NOTE C.—Law expenses connected with the defense or settlement of damage claims are provided for in account No. 648, "Law expenses connected with damages."

**635. OTHER CONDUCTING OPERATIONS EXPENSES.**

This account should include all expenses incident to conducting telegraph and cable operations and not provided for elsewhere.

**III. GENERAL AND MISCELLANEOUS.****640. SALARIES OF GENERAL OFFICERS.**

This account should include the salaries of the chairman of the board, president, vice president, secretary, treasurer, comptroller, general auditor, general manager, general superintendent, and other officers whose jurisdiction extends to the operations of the company as a whole.

**641. SALARIES OF GENERAL OFFICE CLERKS.**

This account should include the salaries and wages of bookkeepers, paymasters, cashiers, clerks, and stenographers employed in the general offices, except as provided for elsewhere.

**642. EXPENSES OF GENERAL OFFICERS AND CLERKS.**

This account should include the travelling and incidental expenses of general officers and other general office employees, except as provided for elsewhere.

**643. GENERAL STATIONERY AND PRINTING.**

This account should include the cost of postage, stationery, and printing for use in general offices, except as provided for elsewhere.

**644. OTHER GENERAL OFFICE SUPPLIES AND EXPENSES.**

This account should include the cost of office supplies (other than postage, stationery, and printing); repairs of office furniture; replacements of such furniture as is not chargeable to plant and equipment accounts; wages of janitors, porters, and attendants; rent and cost of repairs of rented general offices; and other miscellaneous expenses of general offices.

**645. GENERAL LAW EXPENSES.**

This account should include all law expenses except those incurred in the defense and settlement of damage claims, including pay and expenses of counsel, solicitors and attorneys, their clerks and attendants, and expenses of their offices; cost of law books, printing briefs, legal forms, testimony, reports, etc.; fees and retainers for services of

**645. GENERAL LAW EXPENSES—Continued.**

attorneys not regular employees; court costs and payments of special, notarial, and witness fees not provided for elsewhere; expenses connected with taking depositions; and all law and court expenses not provided for elsewhere.

NOTE.—The compensation of the general solicitor or counsel or other attorneys engaged partly in the defense or settlement of damage suits and partly in other legal work should be properly apportioned between this account and account No. 648, "Law expenses connected with damages."

**646. INSURANCE.**

This account should include premiums paid to insurance companies for fire, fidelity, boiler, casualty, burglar, and other insurance. Charge also to this account and credit to account No. 173, "Insurance and casualty reserves," amounts set aside as an insurance reserve.

This account should be credited and the plant and equipment accounts charged with the cost of insurance applicable to construction work.

NOTE.—In reports to the Commission the companies will be required to report the charges made to this account for the various kinds of insurance, and for self-insurance.

**647. ACCIDENTS AND DAMAGES.**

This account should include expenses, other than law expenses, incurred on account of persons killed or injured and on account of property of others damaged. It includes the pay and expenses of claim agents, investigators, and adjusters; fees and expenses of surgeons and doctors, nursing, hospital attendance, medical and surgical supplies, fees and expenses of coroners and undertakers, and contributions to hospitals; also amounts paid on judgments and other settlements of personal injury or damage claims.

This account should be credited and the plant and equipment accounts charged with the expenses of accidents and damages incident to construction work.

NOTE.—Payments made in settlement of damage claims arising out of delay and errors in service should be charged to account No. 634, "Traffic damages."

**648. LAW EXPENSES CONNECTED WITH DAMAGES.**

This account should include law expenses connected with the defense or settlement of damage claims, including a proper proportion of the salaries and expenses of the general solicitor or counsel; of salaries, fees, and expenses of attorneys engaged in this work; fees of court stenographers and other court expenses; and cost of law books, printing briefs, court records, and similar papers in connection with such cases.

This account should be credited and the plant and equipment accounts charged with law expenses incident to damage claims arising out of construction work.

NOTE.—The compensation of the general solicitor or counsel and of other attorneys engaged partly in the defense or settlement of damage suits and partly in other legal work should be properly apportioned between this account and account No. 645, "General law expenses."

**649. RELIEF DEPARTMENT AND PENSIONS.**

This account should include pensions or other benefits paid to employees or representatives of former employees, and expenses in connection therewith; salaries and expenses incurred in conducting a relief department; and contributions made to such department.

**650. FRANCHISE REQUIREMENTS.**

This account should include the cost of service, materials, and supplies furnished to municipal corporations in compliance with franchise requirements and for which no payment is received by the company; also direct expense, such as paving and other like matters, incurred in compliance with such requirements and for which no reimbursement is received by the company.

NOTE.—Amounts charged to this account for which there is no direct money outlay should be credited to account No. 654, "Franchise requirements—Cr."

**651. VALUATION EXPENSES.**

This account should include expenses incident to the ascertainment (in accordance with the act to regulate commerce as amended March 1, 1913, or with other Federal or State requirements) of the value of property owned or used by the accounting company, such expenses including pay, and office, traveling, and other expenses of officers specially employed or assigned to such work, and of their assistants, clerks, and attendants, and the cost of stationery and printing, and of engineering supplies consumed.

NOTE A.—No charge should be made to this account for the salaries of officers or of their clerks and attendants for merely incidental services in connection with valuation work, but special office, clerical, traveling, and incidental expenses incurred by these officers on account of such work may be included as a part of the cost of the work.

NOTE B.—It is not intended that this account shall in any degree relieve the other primary accounts of expenses ordinarily chargeable thereto under conditions existing while no valuation work is in progress.

**652. AMORTIZATION OF FRANCHISES AND PATENTS.**

This account should include each month the amount necessary to cover such portions of the life of limited franchises and patents as have expired or been consumed during the month.

NOTE.—The amount charged to this account should be concurrently credited to an appropriate subaccount under account No. 171, "Reserve for amortization of intangible capital."

**653. OTHER GENERAL EXPENSES.**

This account should include such incidental general expenses as are not provided for in the foregoing accounts, such as cost of publishing notices of stockholders' meetings, of elections of directors, and of dividends declared; annual reports in newspapers; fees and expenses paid to directors; expenses of transfer agents and of listing stocks on exchanges.

**654. FRANCHISE REQUIREMENTS—Cr.**

Credit to this account the amounts included in account No. 650, "Franchise requirements," for which there is no actual money outlay.

## TEXT PERTAINING TO CLEARING ACCOUNTS.

**EXPLANATORY NOTE.**—The following accounts are provided for certain expenses which usually affect several classes of operations and need to be brought together in one account in order that the total of the expenses may be known and properly distributed.

### 701. SHOP EXPENSE.

This account or appropriate subaccounts should be arranged so as to record separately the expenses of the general shops as follows: (1) Salaries and wages of shop employees; (2) personal and incidental expenses of such employees; (3) materials and supplies for general shop use; (4) repairs of shop tools, machinery, and appliances; (5) depreciation of shop tools, machinery, and appliances; (6) rents paid for shop buildings; and (7) power, heat, light, and other expenses of shops.

The shop expense account should be cleared by apportioning the total amount of the expenses to the various jobs on an equitable basis.

### 702. STABLE AND GARAGE EXPENSE.

This account or appropriate subaccounts should be arranged so as to record separately the expenses of stables and garages as follows: (1) Salaries and wages of drivers, chauffeurs, stablemen, garagemen, and other employees in stables and garages; (2) personal and incidental expenses of such employees; (3) materials and supplies, including fuel and gasoline, feed, harness, tires, and other supplies for stables and garages; (4) repairs of automobiles and other vehicles and harness; (5) depreciation of vehicles, horses, harness, etc., including losses unprovided for by reserves or insurance; (6) rents paid for buildings, vehicles, and horses; and (7) heat, light, and other expenses of stables and garages.

Credit to this account any charges for service performed for others by the accounting company.

A record should be kept of the use of teams and automobiles, and the amount carried in this account should be apportioned to the proper accounts according to use, or the debits to the accounts may be made at rates per hour of service which have been found to be fair and to distribute the total expense equitably.

### 703. TOOL EXPENSE.

This account should include expense for tools other than shop tools and tools carried as supplies unissued, including (1) the cost of small hand tools of which no account is kept after issue; (2) the cost of repairing tools; (3) the cost of tools lost or stolen; and (4) depreciation on tools taken out of service because of breakage or other deterioration.

This account should be cleared by adding to the expense of repairs and cost of plant installed such amounts as will equitably distribute the total expense for tools.

### 704. SUPPLY EXPENSE.

This account or appropriate subaccounts should be arranged so as to record separately the expenses, except insurance and taxes, incurred directly in connection with the purchase, storage, handling, and distribution of materials and supplies and stationery, as follows: (1) The pay and expenses of purchasing agents, managers of stores, clerks, and

### 704. SUPPLY EXPENSE—Continued.

laborers; (2) personal and incidental expenses of such employees; (3) rents paid for storerooms or storehouses; (4) repairs of store equipment; (5) cost of lighting and heating; (6) undistributed transportation charges; (7) discounts recovered through prompt payment of bills for materials and supplies when such discounts can not be assigned to the particular bills; (8) overages or shortages in the materials and supplies account disclosed by inventories and not assignable to specific accounts; and (9) the estimated depreciation on materials and supplies due to breakage, leakage, shortage, and wear and tear.

This account should be cleared by adding to the cost of materials and supplies passing through stores a suitable loading charge which will equitably distribute the total cost of conducting the stores, and by adding to the cost of such supplies as are bought by the purchasing department a pro rata share of the total expense of the purchasing department.

### 705. ENGINEERING EXPENSE.

This account or appropriate subaccounts should be arranged so as to record separately the expenses for engineering as follows: (1) Salaries and wages; (2) personal and incidental expenses of engineering department employees; (3) rent paid for offices; and (4) light, heat, and other office expenses.

This account should be cleared by apportioning the total expenses to operating expense and plant and equipment accounts on the basis of service rendered, as determined by the actual time devoted to particular jobs or on an equitable basis fixed by the officers of the company.

### 706. PLANT SUPERVISION EXPENSE.

This account should include the cost of general supervision of the maintenance and construction of the plant where a separate department of the company's organization is charged with such supervision. It includes the pay and expenses of general plant superintendent, district plant superintendent, plant engineers, other plant supervising officers, and their office and field forces, charged with planning for and superintending the work of maintenance and plant construction.

This account or appropriate subaccounts should be so arranged as to show in detail the expenses of the plant supervision department as follows: (1) Salaries and wages; (2) personal and incidental expenses of employees; (3) rent paid for offices; and (4) light, heat, and other office expenses.

This account should be cleared by charging directly to the appropriate accounts such expenses as can be allocated to particular pieces of work, and by charging out the balance on the basis of labor employed in all construction or maintenance work in progress.

**NOTE.**—The pay of general foremen and foremen in direct charge of jobs should be included in the cost of the job and not charged to this account.

### 707. HOUSE SERVICE EXPENSE.

This account should include the expenses pertaining to the operation of offices and buildings, whether owned or rented by the company, when such expenses can not be allocated as they accrue to the operating expense accounts and other accounts. This account includes rents paid, fuel, heat, light, power, elevator service, janitor service, and like expenses, but does not include insurance, taxes, and maintenance expenses.

This account should be cleared by apportioning the entire expense to the operating expense and other accounts on the basis of use made of such property.

**708. FLOATING EQUIPMENT EXPENSE.**

Charge to this account the cost of maintenance and operation of steamships, steamboats, launches, and other vessels used in the maintenance and construction of telegraph or cable lines.

This account or appropriate subaccounts should be so arranged as to show in detail the expenses of floating equipment, as follows: (1) Salaries and wages; (2) personal and incidental expenses of such employees; (3) materials and supplies; (4) repairs of vessels and appurtenances; (5) depreciation of vessels and appurtenances; (6) rents paid for vessels; (7) other expenses of operating vessels.

Credit to this account any charges for services performed by the company for others.

This account should be cleared by adding to the expense of repairs and cost of plant installed such amounts as will equitably distribute the total expense for floating equipment.

**709. RAILWAY EQUIPMENT EXPENSE.**

Charge to this account the cost of maintenance and operation of motor bunk, pole, and hand cars, velocipedes and other railroad equipment used in the maintenance and construction of telegraph lines.

This account or appropriate subaccounts should be so arranged as to show in detail the expenses of railway equipment, as follows: (1) Salaries and wages; (2) personal and incidental expenses of such employees; (3) materials and supplies; (4) repairs of cars and appurtenances; (5) depreciation of cars and appurtenances; (6) rents paid for railway equipment; (7) other expenses of operating railway equipment.

Credit to this account any charges for services performed by the company for others.

This account should be cleared by adding to the expense of repairs and cost of plant installed such amounts as will equitably distribute the total expense for railway equipment.

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REGULATIONS  
TO GOVERN THE  
DESTRUCTION OF RECORDS  
OF  
TELEPHONE, TELEGRAPH  
AND CABLE COMPANIES  
(INCLUDING WIRELESS COMPANIES)

PRESCRIBED BY THE  
INTERSTATE COMMERCE COMMISSION  
IN ACCORDANCE WITH SECTION 20 OF THE  
ACT TO REGULATE COMMERCE

ISSUE OF 1920

*Effective on January 1, 1920*

(Superseding and canceling regulations effective February 1, 1914)



WASHINGTON  
GOVERNMENT PRINTING OFFICE  
1920

~~SCHOOL OF BUSINESS~~  
COLUMBIA UNIVERSITY

# THE INTERSTATE COMMERCE COMMISSION.

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At a General Session of the INTERSTATE COMMERCE COMMISSION, held at its office in Washington, D. C., on the 3rd day of November, 1919.

The matter of the determination of the operating, accounting, and financial papers, records, books, blanks, tickets, stubs, and documents of telephone, telegraph, and cable companies (including wireless companies) which may, after a reasonable time, be destroyed being under consideration, the following order was entered:

*It is ordered,* That the Regulations to Govern the Destruction of Records of Telephone, Telegraph, and Cable Companies (including wireless companies), Issue of 1920, a copy of which is now before this Commission, be, and they hereby are, approved; that a copy thereof duly authenticated by the Secretary of the Commission be filed in its archives, and a second copy thereof, in like manner authenticated, be filed in the office of the Bureau of Carriers' Accounts; and that each of said copies so authenticated and filed shall be deemed an original record thereof.

*It is further ordered,* That the said Regulations be, and they hereby are, prescribed for the use of telephone, telegraph, and cable companies (including wireless companies) subject to the provisions of the Act to Regulate Commerce as amended, in the destruction of their accounts, records, and memoranda; and that a copy of the said Regulations be sent to each and every such carrier and to each and every receiver or operating trustee of any such carrier.

*It is further ordered,* That each and every such carrier, and each and every receiver or operating trustee of any such carrier, be, and hereby is, permitted to destroy the accounts, records, and memoranda named or described in the said Regulations, after preserving the same for the periods of time respectively specified and upon complying with the requirements of the Regulations.

*It is further ordered,* That all accounts, records, and memoranda of such carriers, other than those the destruction of which is permitted in the said Regulations, shall remain under the prohibition of destruction contained in section 20 of the Act to Regulate Commerce, as amended: *Provided, however,* That in case any such carrier desires to destroy any accounts, records, or memoranda other than those hereinafter named it may petition the Commission to that effect, exhibiting a full and detailed description of the accounts, records, or memoranda in question, clearly explaining their character, their use, and their purpose; it being understood that any order entered by the Commission on any such petition shall, unless otherwise pro-

vided, be limited in its force and effect to the particular carrier presenting such petition.

*It is further ordered*, That the said Regulations to Govern the Destruction of Records of Telephone, Telegraph, and Cable Companies (including wireless companies), Issue of 1920, shall become effective on January 1, 1920, and that this order shall supersede and cancel the order of January 12, 1914, in the matter of the destruction of records of telephone, telegraph, and cable companies (including wireless companies).

By the Commission.

[SEAL.]

GEORGE B. MCGINTY,  
*Secretary.*

#### SPECIAL NOTICE.

The following extract from section 20 of the Act to Regulate Commerce is here quoted for convenient reference thereto by carriers:

Any person who shall willfully make any false entry in the accounts of any book of accounts or in any record or memoranda kept by a carrier, or who shall willfully destroy, mutilate, alter, or by any other means or device falsify the record of any such account, record, or memoranda, or who shall willfully neglect or fail to make full, true, and correct entries in such accounts, records, or memoranda of all facts and transactions appertaining to the carrier's business, or shall keep any other accounts, records, or memoranda than those prescribed or approved by the Commission, shall be deemed guilty of a misdemeanor, and shall be subject, upon conviction in any court of the United States of competent jurisdiction, to a fine of not less than one thousand dollars nor more than five thousand dollars or imprisonment for a term not less than one year nor more than three years, or both such fine and imprisonment: *Provided*, That the Commission may in its discretion issue orders specifying such operating, accounting, or financial papers, records, books, blanks, tickets, stubs, or documents of carriers which may, after a reasonable time, be destroyed, and prescribing the length of time such books, papers, or documents shall be preserved.

The regulations set forth in this order pertain only to the accounts, records, and memoranda named or described herein. All accounts, records, and memoranda not indicated in the regulations remain under the prohibition of destruction contained in section 20 of the act.

The rules contained herein, in brief, require:

(a) The appointment of an officer to have general supervision of destruction and the filing with the Commission of a copy of the resolution or order making such appointment. (Pars. 2 to 5, inclusive.)

(b) A written authority by the officer having general supervision of destruction to the person who is to perform the actual physical destruction. (Pars. 7 to 9, inclusive.)

(c) A certificate of destruction to be made by the person performing the actual physical destruction. (Pars. 10 to 14, inclusive.)

(d) A statement listing records accidentally destroyed and the filing with the Commission of a copy of such statement. (Par. 18.)

The following exceptions to the above requirements are provided for:

(a) Retired securities may be destroyed by a committee designated by the board of directors after a copy of the resolution naming such committee is filed with the Commission. (Par. 6.)

(b) No written authority or certificate of destruction is required for the destruction of the "duplicate copies" provided for in item 127. (Par. 19.)

(c) No certificate of destruction is required for records carrying an "optional" period of retention other than retired securities provided for in item 16. (Par. 14.)

It is not intended that these regulations shall be interpreted as requiring that the records herein named shall be installed, when such records are not already kept by a carrier.

Carriers which, prior to January 1, 1920, shall have filed resolutions designating persons to have authority over the destruction of records, in compliance with previous orders of the Interstate Commerce Commission in the matter of the destruction of records of telephone, telegraph, and cable companies, are not required to file additional resolutions, if those already filed comply with the regulations herein issued.

## REGULATIONS TO GOVERN THE DESTRUCTION OF RECORDS OF TELEPHONE, TELEGRAPH, AND CABLE COMPANIES. (INCLUDING WIRELESS COMPANIES).

### Destruction authorized.

1. Carriers may destroy the accounts, records, and memoranda named in paragraph 20 (other than those marked "permanently") at their option after having preserved them for the specified periods of time and upon complying with the requirements of these regulations.

### Officer having supervision of destruction.

2. Supervision of the destruction of accounts, records, and memoranda shall be assigned to an officer appointed by the board of directors or, if the carrier's organization shall require it, to two officers so appointed. Such officer or officers may be given (a) general supervision of the destruction of all accounts, records, and memoranda the destruction of which is permitted by these regulations, or (b) authority over the destruction of such of these accounts, records, and memoranda as may be specified by the board of directors. A copy of the resolution of appointment shall be filed with the Commission before the destruction of any of the accounts, records, or memoranda involved. Pending action by the board of directors, an appointment by an executive committee, or by a similarly authorized committee of the board of directors, shall have the same effect as if made by the board of directors.

3. If the property of a carrier is in the hands of a receiver or operating trustee, the officer or officers to have supervision of the destruction of accounts, records, and memoranda shall be designated by the receiver or trustee. A copy of the order of the receiver or trustee designating such officer or officers shall be filed with the Commission before the destruction of any of the accounts, records, or memoranda involved.

4. If the property is operated by an individual, firm, copartnership, or association, the head of the concern shall designate the person to have charge of the destruction of records and, if it is desired, may so designate himself. A copy of the order designating such person shall be filed with the Commission before the destruction of any of the accounts, records, or memoranda involved.

5. In designating an officer to have general supervision of the destruction of accounts, records, and memoranda it would be preferable

to designate by title only, rather than by name and title, and thus obviate the necessity of filing a new resolution each time a successor in the office is appointed.

#### Committee for destruction of certain records.

6. At the option of the carrier the board of directors may from time to time name a committee to destroy canceled stock certificates, bonds, or other records covered by item 16 of paragraph 20 in lieu of delegating the authority for the destruction to an officer, as provided in paragraph 2. A copy of the resolution of the board of directors naming such committee shall be filed with the Commission before the destruction of any of the records involved.

#### Written authority of officer having supervision of destruction.

7. When any accounts, records, or memoranda are to be destroyed, an officer having supervision of the destruction of accounts, records, and memoranda (as designated in compliance with paragraphs 2, 3, or 4) shall issue a written authority designating by name and title or by title or occupation the person or persons by whom the accounts, records, or memoranda are to be destroyed (except as provided for in paragraph 19).

8. The written authority (a) may be confined to certain accounts, records, and memoranda which have been retained for the periods of time specified in these regulations and which the carrier then desires to destroy, in which case it shall indicate—

First. The accounts, records, or memoranda to be destroyed, expressed either in form numbers or by descriptive titles; and,

Second. The period or periods covered by the accounts, records, or memoranda the destruction of which is authorized—

or (b) may be of continuing effect, applying to any or all the accounts, records, and memoranda named herein as the periods of retention of such accounts, records, or memoranda attain the limits specified herein.

9. Such written authority, or a certified copy thereof, shall be filed in the office of the issuing officer as a permanent part of the carrier's records. It is not required at present that copies of the written authorities be filed with the Commission.

#### Certificates of destruction.

10. The person or persons upon whom devolves the duty of the direct supervision of the destruction of the accounts, records, or memoranda under the authority referred to in paragraph 8(a) shall make certificate (except as provided for in paragraphs 14 and 19) setting forth that the accounts, records, or memoranda listed in the said authority have been destroyed and that no other accounts, records, or memoranda than those so listed have been destroyed therewith.

11. If an authority as referred to in paragraph 8 (b) is given, a certificate of destruction shall be made by the person or persons upon whom devolves the duty of direct supervision of destruction (except as provided for in paragraphs 14 and 19) listing either by form numbers or descriptive titles the accounts, records, and memoranda destroyed, naming the period or periods covered by the accounts, records, and memoranda and stating that no other accounts, records, or memoranda than those so listed have been destroyed therewith. Either (a) separate certificates shall be made each time any accounts, records, or memoranda are destroyed, or (b) cumulative certificates shall be made with entries each time any accounts, records, or memoranda are destroyed.

12. When any records covered by item 16 of paragraph 20 are destroyed, a certificate of destruction giving full descriptive reference to the documents destroyed shall be made by the person or persons authorized to perform such destruction and shall be retained permanently by the carrier. When documents represent debt secured by mortgage, the certificates of destruction shall also be authenticated by representatives of the trustees acting in conjunction with the person or persons destroying the documents or shall have the trustees' acceptance thereon.

13. Certificates of destruction shall be forwarded promptly to the officer having supervision of the destruction of accounts, records, and memoranda, who issued the written authority, and shall be retained in his office as a permanent part of the carrier's records. In case cumulative certificates are made they shall be forwarded to such officer periodically, but at least once every six months. It is not required at present that copies of the certificates of destruction be filed with the Commission.

14. Certificates of destruction need not be made for accounts, records, and memoranda, with the exception of retired securities referred to in paragraph 12, the destruction of which, in the list in paragraph 20 hereof, is made optional with the carrier, but a written authority, either for specific records or of continuing effect (except as provided for in paragraph 19), shall be issued by the officer having supervision of the destruction of such accounts, records, and memoranda.

#### Joint agencies.

15. These regulations apply also to the destruction of accounts, records, and memoranda of traffic associations and other joint bureaus and agencies maintained by or on behalf of telephone, telegraph, and cable companies (including wireless companies). The manager, chairman, or other officer in charge of the association, bureau, etc., may be delegated by the designated officer of each of the carriers forming the association to have supervision of the destruction of accounts, records,



and memoranda of the association, etc., and in that event he shall issue all authorities for such destruction, and certificates of destruction shall be filed with him. Otherwise, a written authority for the destruction of accounts, records, and memoranda shall be secured from the proper officer of the member carriers concerned and a certificate of destruction shall be filed with each such officer.

NOTE.—Records of interline business conducted over the lines of two or more companies should not be confused with the records of so-called joint agencies. A joint agency as referred to in the above paragraph contemplates a separate organization or association, with officers or employees distinct from those of the operating company and not agencies or offices maintained jointly by two or more separate companies for operating efficiency.

#### Nonoperating companies.

16. A company owning or controlling telephone, telegraph, or cable plants, whether wire or wireless, which it does not operate but which it leases to others for operating purposes shall observe these regulations in case it desires to destroy any of its corporate or financial accounts, records, or memoranda.

#### Method of destruction.

17. The precise method of the destruction of accounts, records, or memoranda is not prescribed. The Commission is not concerned with the method of destruction, whether by fire, sale, or otherwise, so long as the destruction is authorized and a certificate of destruction is filed as required by these regulations. If the accounts, records, or memoranda are not actually destroyed by the carrier but are disposed of by sale or otherwise, the certificate of destruction shall so state.

#### Accidental destruction of accounts, records, and memoranda.

18. If any accounts, records, or memoranda are destroyed accidentally by fire, flood, or other calamity, a statement shall be prepared listing, as far as may be possible, the records destroyed, and detailing the circumstances in connection with the fire or other calamity. This statement shall be authenticated by an officer or some responsible employee of the company and shall be filed with the officer having supervision of the destruction of accounts, records, and memoranda. A copy of the statement shall be filed promptly with the Commission.

#### Duplicate accounts, records, and memoranda.

19. Provision is made in item 127 of paragraph 20 for the optional destruction of duplicate copies of accounts, records, and memoranda when such copies are not specifically provided for elsewhere in these regulations and when they contain no information not shown on the originals. In destroying such copies carriers may dispense with the written authorities and the certificates of destruction. The originals (or one true copy) shall be retained for the respective periods named for such records in the regulations.

#### List of accounts, records, and memoranda, and periods of retention.

20. The following is the list of accounts, records, and memoranda of telephone, telegraph, and cable companies (including wireless companies) specifically referred to by the regulations embodied in paragraph 1. The classification of accounts, records, and memoranda enumerated below under the various general headings is merely for convenient reference and is more or less arbitrary. The regulations are intended to apply to the items as named or described, regardless of the classification and regardless of where filed. Of the accounts, records, and memoranda which are to be retained permanently only the more important are indicated in the list, such specific mention being made so that they may not be confused with any accounts, records, or memoranda which the carrier is hereby given permission to destroy.

Description of accounts, etc.	Period to be retained.
<b>GENERAL AND FINANCIAL.</b>	
1. Ledgers:	
(a) General and auxiliary ledgers and indexes thereto, except subscribers' and other ledgers provided for in items below.	Permanently.
(b) Balance sheets of general ledgers.	Permanently.
(c) Trial balance sheets of general and auxiliary ledgers.	Permanently.
(d) Subscribers' and pay station ledgers and other records used in lieu thereof.	3 years.
(e) Customers' ledgers at local telegraph offices, local cable offices, local wireless offices, and other agencies.	3 years.
(f) Trial balance sheets of ledgers covered by items (d) and (e) above.	3 years.
2. Records of securities owned:	
Records of securities owned, in treasury, or with custodians.	Permanently.
3. Journals:	
General and auxiliary journals.	Permanently.
4. Cash books:	
(a) Treasurers' and auditors' general cash books and auxiliary cash books subsidiary to the general cash books.	Permanently.
(b) Other auxiliary cash books.	3 years.
(c) Cash books at telephone exchanges, telegraph and cable and wireless offices, and other agencies.	3 years.
NOTE.—If any receipts or payments are entered in the aggregate in cash books and are detailed only on loose sheets, such loose sheets constitute an auxiliary cash book when no other permanent record of the items thereon is made.	
5. Capital stock records:	
(a) Capital stock ledgers.	Permanently.
(b) Records or stubs of capital stock certificates.	Permanently.
(c) Stock transfer registers.	Permanently.
(d) Memoranda and bills of sale or of transfer of capital stock.	3 years.
(e) Capital stock subscription notices and requests for allotment.	1 year.
(f) Canceled capital stock certificates.	See item 16.
6. Bond records:	
(a) Registered bond ledgers.	Permanently.
(b) Records or stubs of bonds.	Permanently.



Description of accounts, etc.	Period to be retained.
GENERAL AND FINANCIAL—continued.	
6. Bond records—Continued.	
(c) Memoranda and bills of sale or of transfer of registered bonds.	3 years.
(d) Funded debt subscription notices and requests for allotment.	1 year.
(e) Records of interest coupons, paid and unpaid.	7 years.
(f) Canceled bonds and paid interest coupons.	See item 16.
7. Copies of applications to and authorities from regulating bodies for the issuance of stocks, bonds, and other securities. (See item 110e.)	Permanently.
8. Proxies and voting lists:	
(a) Proxies of holders of voting securities.	2 years.
(b) Lists of holders of voting securities presented at meetings.	6 years.
9. Journal entries:	
(a) Journal entries and interdepartmental bills and supporting papers.	Permanently.
(b) Slips or statements giving advance postings of miscellaneous receipts and payments of funds.	1 year after current year.
(c) Records of prepaid expenses and of accrued liabilities not due, used for monthly apportionment of such items, but not constituting supporting papers covered by item (a) above.	1 year after current year.
10. Accounts receivable records:	
(a) Record or register of accounts receivable bills except as covered in items 1 (d) and (e) and indexes thereto, and summaries of distribution of credits through bills for entry in general books.	Permanently.
(b) Accounting department copies of bills issued and supporting papers which do not accompany the original bills, except bills for service covered by item 41 (b) and (c), if recorded in records covered by item (a) above. (See item 20.)	6 years.
(c) Authorizations for accounts receivable bills, other than supporting papers, with notations of dates of issue.	3 years.
(d) Record or index of bills to be issued with notations of dates of issue.	Optional.
(e) Periodical statements of unsettled accounts, except trial balance sheets.	Optional.
11. Minute books:	
Minute books of stockholders', directors', and directors' executive committee and other meetings.	Permanently.
12. Codes:	
(a) General codes (official copies).	Permanently.
(b) Money transfer service, and similar codes (official copies).	6 years after cancellation.
13. Titles and franchises:	
Deeds and other title papers and franchises.	Permanently.
14. Contracts and agreements:	
(a) Contracts, leases, and agreements, except those provided for in items 18, 20, 71, and 80.	6 years after expiration or cancellation.
(b) Contracts and agreements with employees for the purchase of securities; and reports and memoranda pertaining thereto.	6 years after expiration or cancellation.
(c) Card or book records of contracts, leases, and agreements made and of expirations and renewals.	6 years after expiration or cancellation.
(d) Summaries and abstracts of contracts, leases, and agreements covered by items (a) and (b) above.	Optional.
15. Permits:	
(a) Permits and granted applications for the use of facilities of others.	3 years after expiration or cancellation.

Description of accounts, etc.	Period to be retained.
GENERAL AND FINANCIAL—continued.	
15. Permits—Continued.	
(b) Copies of permits and applications granted others for the use of the carrier's facilities.	3 years after expiration or cancellation.
(c) Applications for the use of facilities not granted and copies of such applications.	Optional.
(d) Permits of a temporary nature, from municipal or other bodies to perform specific work, such as permits to open streets and place poles and copies of petitions for such permits.	Optional.
16. Retired securities:	
Canceled stock certificates, bonds, notes, interest coupons, receiver's certificates, and temporary certificates.	May be destroyed at option of carriers upon complying with requirements of paragraph 12.
17. Fidelity bonds:	
Records and files of fidelity bonds of employees.	3 years after expiration.
18. Insurance records:	
(a) Schedules of fire and other insurance, also records relating to premiums and amounts recovered and papers substantiating claims against insurance companies.	6 years.
(b) Fire, liability, automobile, and other insurance policies.	Optional.
(c) Record of policies in force and notices of changes in and cancellation of such policies.	3 years after expiration.
(d) Inspectors' reports and records of condition of property.	3 years.
(e) Letter, telegraphic or wireless reports of fire damages.	Optional.
(f) Reports of minor losses by fire not covered by insurance or less than minimum amount collectible.	Optional.
(g) Watchmen's reports and other minor reports and memoranda pertaining to insurance and damage.	Optional.
(h) Records and statements relating to insurance requirements.	Optional.
19. Tax records:	
Copies of schedules and returns to taxing authorities for tax purposes and records of appeals.	6 years.
20. Plant and equipment (fixed capital) records:	
(a) Records and memoranda of the cost and of the inventory value of plant and equipment.	Permanently.
(b) Records and memoranda pertaining to depreciation, retirement, and replacements of plant and equipment.	Permanently.
(c) Contracts and other agreements relating to the construction, acquisition, or sale of plant and equipment.	Permanently.
(d) Records, reports, summary sheets, statements, distribution sheets, and similar records and papers directly supporting debits and credits to plant and equipment accounts.	Permanently.
(e) Records, reports, and papers pertaining to the detail of debits and credits to plant and equipment accounts such as time tickets, time check rolls, workmen's reports, work orders, material disbursement and recovery tickets, and other preliminary and underlying records if the details of such debits and credits have been summarized to records covered by items (a) to (d) above in such a manner as will preserve a complete record of the transaction.	3 years.

Description of accounts, etc.	Period to be retained.
GENERAL AND FINANCIAL—continued.	
20. Plant and equipment (fixed capital) records—Contd. (f) Book or card records, showing measurements, description, location, quantities, etc., of physical plant and equipment owned.	Permanently.
NOTE.—All accounts, records, and memoranda requisite for making a complete analysis of cost of plant and equipment shall be retained permanently. If any of the accounts, records, and memoranda, elsewhere provided for in these regulations, are of this character, they shall be retained permanently regardless of any lesser period of retention assigned to them.	
21. Authorities for expenditures: (a) Estimates, completion reports, and authorities for expenditures, and registers and records thereof, for construction, extensions, additions, and betterments made. (b) Detail records and memoranda used in preparation of estimates and minor reports and statements pertaining thereto, if summarized in records covered by item (a) above. (c) Estimates, detail records, and memoranda and reports pertaining thereto, when the expenditures were not authorized, except as covered by item 22. (d) Records, reports, and statements showing comparison between authorized estimates and actual expenditures. (e) Notices of the approval of estimates..... (f) Records and reports pertaining to the progress of construction work, the order in which jobs are to be completed, orders to expedite specific work, reports and statements of completed and uncompleted work orders, and similar records which do not form a basis of charges or credits to the accounts.	Permanently.  3 years. Optional. Permanently. Optional. Optional.
22. Engineering records: (a) Maps, profiles, plans, specifications, estimates of work, records of engineering studies, unit costs, and similar records pertaining to projects which have been put into execution, whether in whole or in part. (b) Maps, profiles, plans, specifications, estimates of work, records of engineering studies, and similar records pertaining to projects which have been abandoned.	Permanently. 6 years.
23. Traveling accountants' and auditors' reports: (a) Reports of examinations and audits by special accountants and traveling auditors. (b) Reports and records of incidental and miscellaneous audits.	3 years. Optional.
24. Division auditors' reports: Reports and statements from division auditors of revenues, expenses, receipts, disbursements, operations, and similar items.	For the period prescribed for the records to which they pertain.
TREASURY.	
30. Statements of funds and deposits: (a) Statements and summaries of balances on hand and with depositaries. (b) Authorities for and statements of transfer of funds from one depository to another. (c) Periodical statements of working cash balances.	3 years. 3 years. 3 years.

Description of accounts, etc.	Period to be retained.
TREASURY—continued.	
30. Statements of funds and deposits—Continued. (d) Requisitions and receipts for funds furnished managers, agents, and others.  (e) Reports and estimates of working funds required. (f) Statements of managers' and agents' deposits, grouped by depositaries.	May be destroyed at option of carrier after funds have been returned or accounted for. Optional. 3 years.
31. Records of deposits with banks and others: (a) Statements from depositaries regarding funds received, disbursed, and transferred. (b) Bank reconciliation papers..... (c) Statements from banks of interest due on average daily balances. (d) Bank deposit books and stubs, ledgers, or records of checks. (e) Copies of bank deposit slips..... (f) Advice of deposits made, when information contained thereon is shown on other records which are retained. (g) Correspondence and memoranda relating to the stopping of payment of bank checks and to the issuance of duplicates.	3 years. 3 years. 3 years. 6 years. 3 years. Optional. 6 years.
32. Records of receipts and disbursements: (a) Daily or other periodical statements of the receipt and disbursement of funds. (See note, item 4.). (b) Records or periodical statements of outstanding vouchers, checks, drafts, etc., issued and not presented. (c) Cash remittance slips or reports of managers and agents and general office summaries thereof. (d) Voucher lists, showing mailing dates and to whom sent.	3 years. 6 years. 3 years. Optional.
33. Managers' and agents' balances: Records of managers' and agents' accounts showing working fund debits and credits from various sources.	3 years.
34. Field cashiers' balances: Reports of working fund balances in hands of field cashiers.	3 years.
35. Records pertaining to verifications of treasurers' cash or securities.	3 years.
REVENUES.	
40. Revenue summaries: (a) Records and summaries of revenues (by classes) for entry in general books. (b) Reports from managers, agents, and others showing debits and credits to revenue from all sources, and summaries of such reports. (c) Statements and summaries of telephone or wireless message toll charge tickets and telegram or cable charge tickets, if summarized into records covered by item (a) or (b) above.	6 years. 3 years. 1 year.
41. Collection reports and records: (a) Itemized lists and summaries of collections of operating revenues by agents, collectors, and branch offices.	3 years.

Description of accounts, etc.	Period to be retained.
REVENUES—continued.	
41. Collection reports and records—Continued.	
(b) Bill stubs, copies of bills, collection tickets, collection books, and other forms of reporting collections covered by item (a) above.	1 year.
(c) Bill stubs, copies of bills, and statements of collections of operating revenues not used for reporting collections covered by item (a) above.	Optional.
(d) Statements and reports of amounts collected or due from employees for meals furnished.	Optional.
(e) Records of coin box collection books, coin box combinations, seals applied and removed from coin boxes, and similar records, and reports relative to the collection of operating revenues.	Optional.
(f) Records of ratings, credit classification and investigations of patrons and prospective subscribers.	1 year.
(g) Reports relating to the status of subscribers' and customers' accounts.	Optional.
42. Remittances and deposits:	
Local office records of remittances and deposits. ....	3 years.
43. Adjustments with agents:	
Detail records and reports of adjustments with managers, agents, and other employees on account of revenue, disbursements, or other items.	3 years.
44. Subscribers' and customers' account adjustments:	
Detail records of adjustments of accounts of subscribers and other customers for overcharges, undercharges, and other errors, results of which have been transcribed to records covered by item 40.	3 years.
45. Settlements with telephone, telegraph, cable, and wireless companies:	
(a) Records pertaining to settlement of revenues and other charges with telephone, telegraph, cable, and wireless companies by officers, managers, and agents.	6 years.
(b) Statements, summaries, and memoranda pertaining to the monthly record of inter-company business if summarized in records covered by item (a) above.	6 months.
46. Settlements with transportation companies:	
(a) Monthly, annual, or other periodical settlements with transportation companies made in accordance with contracts or agreements.	6 years.
(b) Reports of receipts and expenditures at offices on lines of transportation companies.	6 years.
47. Check and error records of messages:	
Check records, check reports, error notices, error statements, and other records of telephone, telegraph, cable, and wireless messages pertaining to the checking of messages between offices.	Optional.
48. Uncollectible accounts:	
Records and reports pertaining to uncollectible accounts, including authorities for writing off the amounts of such accounts.	6 years.
49. Allowances for service irregularities:	
Summaries by accounting classification of allowances to subscribers and agents on account of service interruption, stoppage, and other irregularities of service.	6 years.

Description of accounts, etc.	Period to be retained.
REVENUES—continued.	
50. Subscribers' ledger sources:	
Accounting department copies of contract or line orders, transfer memoranda, subscribers' and agents' account charge advices, authorities for charges to subscribers under contracts, and other records from which telephone subscribers' ledgers are built up or corrected.	3 years.
EXPENDITURES.	
60. Vouchers:	
(a) Register of audited vouchers and indexes thereto and summaries of distribution of charges through vouchers for entry in general books.	Permanently.
(b) Paid drafts, paid checks, and receipts for cash paid out. (See note under item 20.)	6 years.
(c) Paid and canceled vouchers, audit office copies of vouchers, analysis sheets showing detail distribution of charges on individual vouchers, and other supporting papers.	Permanently.
(d) Authorities for the payment of specific vouchers.	3 years.
(e) Records or index of vouchers to be made with notations of dates of issue.	Optional.
(f) Lists of unaudited bills (accounts payable), lists of vouchers transmitted, and memoranda regarding changes in unaudited vouchers.	Optional.
61. Distribution of labor expenditures:	
Journals, ledgers, or other records showing the detailed distribution of labor expenditures, including memoranda and memorandum recapitulation sheets. (See item 20.)	6 years.
62. Labor records:	
Time books, time sheets, time tickets, time cards, work orders, overtime tickets, job tickets, check rolls, workmen's reports, and other similar papers pertaining to services of officers and employees. (See item 20.)	3 years.
63. Pay roll records:	
(a) Pay rolls and summaries. (See item 20).....	6 years.
(b) Applications and authorities for changes in pay rolls; lists, summaries and reports of changes in pay rolls and records of authorized positions.	6 years.
(c) Applications for pay roll changes not authorized.	Optional.
(d) Records and memoranda pertaining to deductions from pay rolls.	Optional.
(e) Receipted pay checks, receipted time tickets, certificates issued for wages, discharge tickets, and other evidences of payments for services rendered by employees.	6 years.
(f) Comparative or analytical statements of pay rolls.	3 years.
(g) Receipts for pay rolls and pay checks, also records thereof.	Optional.
64. Distribution of expenditures for material and supplies:	
(a) Journals, ledgers, and other records showing the detailed distribution of expenditures for material and supplies including memoranda and memorandum recapitulation sheets. (See item 20.)	6 years.
(b) Work orders, job tickets, workmen's reports, material disbursement tickets, and other papers covering the application of material and supplies, if transcribed in detail to records covered in item (a) above. (See item 20.)	3 years.

Description of accounts, etc.	Period to be retained.
EXPENDITURES—continued.	
65. Assignments, attachments, and garnishments:	
(a) Record of assignments, attachments, and garnishments of employees' salaries.	3 years.
(b) Files containing assignments, attachments, garnishments, notices of suits, notices of release, and correspondence relating thereto.	3 years.
(c) Minors' salary releases.	Optional.
66. Authorized expenses:	
(a) Records, statements and advices of authorized expenses by divisions, districts, departments, offices, and otherwise, which form the basis of charges to accounts.	Permanently.
(b) Requests and authorities for expenditures for incidental expenses, repairs, etc., not covered by estimates provided for in item 21, and not used for making charges to accounts.	Optional.
67. Claims:	
(a) Claims registers, card or book indexes, and other records in connection with the recording of overcharge, damage, personal injury, and other claims presented against carriers, except as provided for in item 44.	Permanently.
(b) All papers substantiating claims, whether such papers are attached to vouchers or filed separately (see item 60c), except as provided for in item 44.	6 years after settlement or rejection.
NOTE.—It is not intended that documents comprising claims, substantiating their validity, or accumulated in the progress of investigation shall be retained permanently.	
68. Records of accidents, damages, and injuries:	
(a) Reports and statements regarding accidents, when not necessary to support claims or vouchers. (See item 123.)	Optional.
(b) Records of damages to company property or property of others, also reports and statements of employees and witnesses regarding damages to company property or property of others, when not necessary to support claims or vouchers.	Optional.
(c) Reports and statements regarding personal injuries, when not necessary to support claims or vouchers.	Optional.
PURCHASES AND STORES.	
70. Material ledgers:	
(a) Records of material and supplies on hand.	Permanently.
(b) Balance sheets of material and supplies received, issued, and on hand at branch supply departments.	3 years.
71. Purchases and sales:	
(a) Copies of orders for the purchase of material and supplies.	3 years.
(b) Invoices for material and supplies purchased, and records or reports of such invoices.	Permanently.
(c) Authorities for the sale of scrap and material and supplies.	3 years.
(d) Price records of purchases (file copies).	Permanently.
(e) Advices from individuals and companies acknowledging receipt of orders for material and supplies, notices of shipment, packing slips, and copies of bills of lading.	Optional.

Description of accounts, etc.	Period to be retained.
PURCHASES AND STORES—continued.	
71. Purchases and sales—Continued.	
(f) Bids and offers for the sale or purchase of material and supplies.	3 years.
(g) Contracts for the purchase or sale of material and supplies.	Permanently.
(h) Advices or requisitions from storekeepers and others for the purchase of material and supplies.	3 years.
(i) Lists or records of invoices transmitted to or from storekeepers.	Optional.
(j) Receipts or delivery tickets issued for material and supplies received in installments and subsequently surrendered with and in support of invoices or bills showing full information.	Optional.
(k) Freight bills covering charges on material and supplies.	Permanently.
NOTE.—The furnishing of freight bills in support of claims on transportation companies is not considered a destruction of records, provided copies of such bills are retained in lieu thereof.	
(l) Copies of notices to supply houses of material and supplies returned for credit or repair.	Optional.
(m) Copies of shipping instructions and acknowledgments thereof.	Optional.
(n) Summaries and distribution sheets and credit memoranda of material and supplies sold or returned to supply houses for credit.	Permanently.
(o) Records and reports used for checking and tracing material and supplies covered by invoices provided for in item (b) above.	Optional.
72. Material and supplies received and issued:	
(a) Records and reports of materials and supplies received.	Permanently.
(b) Records and reports of materials and supplies issued.	Permanently.
(c) Records and reports of materials and supplies transferred from one department, storeroom, or division to another.	3 years.
(d) Requisitions and receipts for materials and supplies issued and receipts for materials and supplies returned, if summarized into records covered by items (a) and (b) above, except as provided for in item 20.	1 year.
(e) Price records of materials and supplies issued (file copies).	Permanently.
(f) Records and reports of materials recovered and returned to stock, if transcribed in detail to records covered in item (a) above.	3 years.
(g) Records of inspecting and testing materials and supplies.	3 years.
(h) Minor records and reports pertaining to materials and supplies, not involving costs or disposition, such as reports of unfilled requisitions, authorities for additions to stock, storeroom records of requisitions, estimates of future requirements, articles required by field forces, records of material disbursement and recovery tickets used and on hand, and similar records.	Optional.
(i) Records and reports of materials and supplies issued to individuals or gangs of employees to be accounted for when the materials and supplies are applied or returned to stock.	Optional after being accounted for.



Description of accounts, etc.	Period to be retained.
PURCHASES AND STORES—continued.	
73. Inventories of materials and supplies:	
(a) General inventories of materials and supplies on hand, with record of adjustments between accounts. (See item 20).	6 years.
(b) Stock cards, inventory cards, and other detail records pertaining to the taking of inventories, if abstracted into records covered by (a) above.	1 year.
(c) Minor inventories of materials and supplies on hand, and reports and memoranda relating thereto, if not used for adjustments.	1 year.
(d) Records, reports, statements, and summaries of overstock items.	Optional.
OPERATIONS.	
80. Contracts with subscribers and customers:	
(a) Contracts and records thereof with subscribers, employees, and others, for telephone service and applications used in lieu of such contracts.	3 years after cancellation.
(b) Applications for telephone service for which contracts have been executed.	Optional.
(c) Contracts for private wires, time service, stock and other market reports, and similar matters; also applications and records pertaining to such contracts.	3 years after cancellation.
(d) Diagrams pertaining to contracts covered by item (c) above.	Optional.
(e) Contracts with subscribers and others for advertising space in directories and other publications issued by the carrier.	1 year after cancellation.
(f) Contracts between wireless companies and ship-owners for wireless equipment and wireless service.	6 years after cancellation.
(g) Applications for telephone service for which no contracts have been executed.	1 year.
(h) Contracts for lease of instruments, including receipts for instruments furnished under the terms of such contracts.	3 years after cancellation.
81. Records of subscribers:	
Address lists and card records of subscribers by addresses, names, or telephone numbers, and similar lists and records of former subscribers.	Optional.
82. Records of instruments:	
Records and reports of instruments and equipment furnished to subscribers and patrons and of instruments and equipment on vacant premises, not used to build up or correct ledger accounts.	Optional.
83. Telegrams and cablegrams:	
(a) Original filed telegraph and cable messages transmitted at public tariff rates, including day and night messages, day and night letters, money-transfer messages, stock and commercial news messages, deferred half-rate cablegrams, cable letters, and week-end cable letters; also press messages and Government messages. This item also covers the original transcript of messages received over telephones for transmission.	1 year.
NOTE.—The furnishing of original filed messages to the United States Government in support of bills is not considered a destruction of records.	
(b) Tissue or carbon copies made at destination offices, of messages covered by item (a) above.	1 year.

Description of accounts, etc.	Period to be retained.
OPERATIONS—continued.	
83. Telegrams and cablegrams—Continued.	
(c) Original filed messages transmitted for transportation companies in compliance with terms of contracts; also tissue or carbon copies of such messages made at destination offices.	1 year.
NOTE.—The furnishing of original filed messages to transportation companies in support of settlements under contracts is not considered a destruction of records.	
(d) Service messages relating to commercial messages, including tissue or carbon copies of such messages made at destination offices.	Optional.
(e) Original filed messages transmitted free or at reduced rates for employees and others; also tissue or carbon copies of such messages made at destination offices.	3 years.
(f) Relay messages, not including those made at junction offices for transfer to other companies.	Optional.
(g) Message tape and similar devices for transmitting messages.	Optional.
(h) Stubs of, or carbon copies of, messages received over telephone.	Optional.
84. Radiograms:	
(a) Original filed wireless telegraph messages, transmitted at public tariff rates; also tissue or carbon copies of such messages made at coast and ship destination stations.	15 months.
(b) Service messages relating to commercial messages; also tissue or carbon copies of such messages made at coast and ship destination stations.	15 months.
(c) Original filed messages transmitted for ship-owners in compliance with terms of contracts (masters' service messages); also tissue or carbon copies of such messages made at coast and ship destination stations.	15 months.
(d) Original filed messages transmitted free or at reduced rates other than those covered by item (c) above; also tissue or carbon copies of such messages made at coast and ship destination stations.	3 years.
85. Telephone local and toll tickets:	
(a) Telephone toll tickets, and statements forming basis of charges to subscribers and others.	Optional after charges have been paid or considered to be uncollectible.
(b) Uncompleted tickets, lost call tickets, switching tickets, messenger-service tickets, appointment tickets, and tickets for emergency calls, official calls, and test calls.	Optional.
(c) Records of receipt of local and toll tickets, toll statement stubs, toll ticket memoranda, guide cards, and reports and memoranda relative to investigations and correction of tickets.	Optional.
(d) Statements and summaries of measured service tickets and register readings.	1 year.
(e) Measured service tickets, local message tickets, and register reading tickets or statements if summarized in records covered by item (d) above.	Optional.
(f) Tickets and statements for check error purposes.	Optional.



Description of accounts, etc.	Period to be retained.
OPERATIONS—continued.	
86. Tariffs and other rate authorities:	
(a) Tariffs, rate sheets, division sheets, and circulars in which the company is interested relative to the transmission of messages and furnishing of facilities, in the general files of the department in which the complete official file is maintained.	6 years after expiration or cancellation.
(b) Tariffs, rate sheets, division sheets, and circulars in other departments and at exchanges, branch offices, and agencies, if copies of the same issues of such tariffs, etc., are preserved in the general tariff files referred to in item (a) above.	May be destroyed at option of carrier after expiration or cancellation.
(c) Requests and receipts from managers and others for tariffs, rate sheets, division sheets, and circulars.	Optional.
(d) Copies of concurrences filed with the Interstate Commerce Commission.	6 years after cancellation.
(e) Statements, summaries, and memoranda pertaining to the establishment of a basis for prorating joint toll revenue.	6 years after cancellation or expiration of basis.
(f) Correspondence and working papers in connection with the making of rates and compilation of tariffs, rate sheets, division sheets, and circulars affecting the transmission of messages and furnishing of facilities.	6 years after cancellation of tariff, etc.
87. Franks and message passes and reduced rate coupons:	
(a) Copies of orders on printing houses for printed forms of franks, etc.	6 years.
(b) Records of blank forms of franks, etc., received, distributed, and destroyed.	6 years.
(c) Requests, and copies of requests, for franks, etc.	6 years.
(d) Records of franks, etc., issued.	6 years.
(e) Records of franks received from other companies.	6 years.
(f) Identification slips for franks, etc.	3 years.
(g) Used franks, message passes, and coupons, if complete record of issue is maintained as provided in item (d) above.	6 months.
(h) Unexpired, surrendered, or partially used franks, etc.	1 year after current year.
(i) Void, unused, and unissued franks, etc.	1 year after current year.
(j) Reports and records of franks, etc., collected or honored, and of free messages handled.	3 years.
(k) Reports of reduced-rate messages sent or received.	3 years.
88. Telegraph, cable, and wireless identification cards:	
(a) Records of identification cards issued.	3 years.
(b) Returned and withdrawn identification cards.	1 year.
(c) Unused and unissued identification cards.	1 year after current year.
89. Transportation company passes:	
(a) Requests, and copies, for passes.	3 years.
(b) Record of passes received from carriers.	3 years.
(c) Record of pass identification forms issued.	3 years.
(d) Record of use made of passes.	3 years.
90. Receiving and delivering telegrams and cablegrams:	
(a) Receivers' record of messages filed.	1 year.
(b) Message delivery records.	1 year.
(c) Messengers' delivery sheets.	1 year.
(d) Operators' number sheets.	Optional.
91. Telegraph and cable office reports:	
(a) Monthly balance sheets and supporting papers.	6 years.
(b) Weekly and daily balance sheets when figures are combined on monthly or weekly balance sheets, respectively.	1 year.

Description of accounts, etc.	Period to be retained.
OPERATIONS—continued.	
91. Telegraph and cable office reports—Continued.	
(c) Weekly and daily balance sheets and supporting papers, when figures are not combined on monthly or weekly balance sheets, respectively.	6 years.
(d) Daily, weekly, or monthly statements of receipts and disbursements.	3 years.
(e) Statements of ledger balances.	3 years.
(f) Reports of guaranteed and uncollected messages.	3 years.
(g) Reports of refunded messages.	6 years.
92. Wireless station reports:	
(a) Coast and ship station abstracts of commercial messages accepted.	6 years.
(b) Coast and ship station abstracts of commercial messages delivered.	6 years.
(c) Coast and ship station abstracts of free messages accepted.	6 years.
(d) Coast and ship station abstracts of free messages delivered.	6 years.
(e) Coast station accounts current and supporting papers.	6 years.
(f) Ship station cash accounts and supporting papers.	6 years.
93. Messenger department records:	
Records and reports pertaining to messenger service, including records of location and use of call boxes, except records covered by item 40.	3 years.
94. Stock and commercial news records:	
(a) Records and reports pertaining to stock and other market reports, sporting news, election returns, and similar items, other than records covered by item 40.	3 years.
(b) Bulletins, containing information relative to election returns and sporting news.	Optional.
95. Money transfer records:	
Records and reports pertaining to the transfer of money by telegraph, cable, or wireless, except records covered by item 40.	3 years.
96. Advertising and canvassing records:	
(a) Prospect lists, notices, reports, memoranda, and records pertaining to advertising and canvassing for service.	Optional.
(b) Records and reports pertaining to soliciting of advertisements in directories and other publications of the carrier.	Optional.
(c) Records and reports pertaining to advertisements of the carrier in newspapers, magazines, and other publications, including "copies" of such advertisements.	Optional.
(d) Records and reports pertaining to studies of methods of obtaining new business, recovery of lost business and similar matters.	Optional.
97. Service and efficiency records:	
(a) Circuit assignments, log books, and reports of circuits working, interrupted, etc.	1 year.
(b) Trouble, inspection, and testing records and reports.	1 year.
(c) Performance records, such as records and reports of traffic loads, lost and delayed calls, peg counts, test calls, and service observation.	1 year.
(d) Central office records of switchboard capacity, such as panel and jack records, and lists and records of available numbers.	Optional.

Description of accounts, etc.	Period to be retained.
OPERATIONS—continued.	
97. Service and efficiency records—Continued.	
(e) Chief operators' records of switchboard markings.	Optional.
(f) Reports of stations ready for service.	Optional.
(g) Records and reports of complaints of service not involving claims for damages or refunds of charges. (See item 67b.)	1 year.
(h) Records and reports pertaining to studies in connection with operations, such as battery loads, trunking requirements, spare facilities, peg counts, and similar records which do not affect the accounts of the company.	Optional.
98. Records of telegraph, cable, and wireless messages handled:	
(a) Monthly or periodical reports of number of messages handled.	6 years.
(b) Reports of unit cost of handling messages.	3 years.
(c) Message delay reports.	1 year.
99. Inspection records:	
Reports and records of condition of pay station signs and booths, central office quarters, buildings, elevators, meters, machinery, etc., except as provided for in items 18 and 97.	Optional.
100. Detective and police service:	
Reports and records in connection with policing the company's property, detective service, stolen property, investigations of robberies, and attempts to defraud the company.	Optional.
101. Miscellaneous records of telephone exchanges and branch offices:	
All records at telephone exchanges and branch offices not elsewhere provided for herein.	6 years.
102. Miscellaneous records of local telegraph and cable offices:	
All records at local telegraph and cable offices not elsewhere provided for herein.	6 years.
103. Miscellaneous records of wireless stations:	
All records of wireless stations (ship and coast) not elsewhere provided for herein.	6 years.
STATISTICS.	
110. Reports to Interstate Commerce Commission and other governmental authorities:	
(a) Annual financial, operating, and statistical reports, file copies of, and supporting papers.	Permanently.
(b) Monthly reports of operating revenues and expenses, file copies of, and supporting papers.	1 year after current year.
(c) Monthly or periodical reports regarding accidents, file copies of, and supporting papers.	3 years.
(d) Monthly or periodical reports regarding employees and salaries, file copies of, and supporting papers.	3 years.
(e) Reports regarding expenditures of proceeds from sale of authorized securities, file copies of, and supporting papers.	Permanently.
(f) Other reports, file copies of, and supporting papers.	6 years.
(g) Reports of property units added and retired, completion of property changes and statements of charges and credits to the investment account, file copies of, and supporting papers.	Permanently.

Description of accounts, etc.	Period to be retained.
STATISTICS—continued.	
111. Reports to stockholders:	
(a) Annual reports or statements to stockholders, file copies of, and supporting papers.	Permanently.
(b) Written requests for copies of, and acknowledgments of receipt of, reports to stockholders.	Optional.
112. Monthly, annual, or other periodical financial reports or statements, comparative or otherwise, and supporting papers.	6 years.
NOTE.—The supporting papers referred to in items 110, 111, and 112, are the separate detailed reports and statements, not elsewhere provided for herein, which are essential to a verification and analysis of the reports, etc., referred to in those items.	
113. Working papers (i. e., preliminary drafts, memoranda, etc.) prepared in connection with the compilation of reports and statements covered by items 110, 111, and 112, but which are not necessary to directly support such reports and statements. (See note following item 112.)	Optional.
114. Miscellaneous statistical reports, statements, and summaries (not otherwise provided for herein) used by officials and department heads for administrative purposes only and not entering the accounts of the company.	Optional.
115. Tabulating cards:	
Tabulating cards used in the compilation of statistics and other data when the results are transcribed to other records covered by these regulations.	1 year.
MISCELLANEOUS.	
120. Telephone directories:	
(a) File copies of telephone directories of the company's issue, in the general file of the company.	3 years.
(b) Surplus and other copies of telephone directories, if copies of the same issues are preserved in the general file referred to in item (a) above.	Optional.
(c) Summaries, data, and miscellaneous records incident to the preparation and issuance of directories.	Optional.
121. Instructions to employees and others:	
(a) Books and circulars of instruction to employees and others, in the general file of the department in which the complete official file is maintained, except as provided for in item 124.	6 years after expiration or cancellation.
(b) Circulars and notices of instructions to employees on matters of discipline, deportment, and similar subjects.	Optional.
122. Records of auxiliary and other operations:	
Records summarizing the results of operations other than telephone, telegraph, cable, and wireless operations.	6 years.
NOTE.—Ledgers, journals, abstracts, reports, vouchers, etc., shall be retained for the same periods as are provided for similar documents elsewhere in these regulations.	

Description of accounts, etc.	Period to be retained.
MISCELLANEOUS—continued.	
123. Benefit, hospital, and insurance departments: Records of employees' benefit, hospital, and insurance departments, other than records supporting the receipt and disbursement of funds and records provided for in item 68.	1 year.
NOTE.—The records supporting the receipt and disbursement of funds shall be retained for the same periods as are provided for similar records elsewhere in these regulations.	
124. Data on destruction of records: (a) Written authorities, cancellation of authorities, certificates of destruction; reports of destruction, records of appointment of executive officers and committees having supervision of the destruction of records, bulletins, circulars, instructions and lists or schedules of forms and records pertaining to the destruction of the carrier's records, in the general file of the department in which the complete official file is maintained.	Permanently.
(b) Records and memoranda relating to the preparation and issuance of bulletins, circulars, etc., covered by item (a) above; also minor records and memoranda pertaining to the compliance with the requirements of such bulletins and circulars.	Optional.
125. Records of employees: (a) Employees' service records and rosters, showing positions filled, attendance, length of service, and other relative data.	1 year.
(b) Applications for employment, schedules of working hours, efficiency records, photographs and other identification records, and all other miscellaneous records pertaining to employees.	Optional.
126. Other miscellaneous records: (a) Records, reports, and statements pertaining to construction or maintenance work performed by the carrier for others.	For the periods prescribed for similar records pertaining to operating expenses.
(b) Records and reports pertaining to motor and other vehicles and their equipment, such as tires, oil, gasoline, and batteries, when such records and reports are not used in determining charges or credits to the accounts of the company.	Optional.
(c) Receipts for records and papers temporarily removed from file, when records and papers have been returned.	Optional.
(d) Receipts and records pertaining to delivery of articles to employees, such as badges, keys, and material receipt books.	Optional.

Description of accounts, etc.	Period to be retained.
MISCELLANEOUS—continued.	
126. Other miscellaneous records—Continued. (e) Receipts for registered mail, express packages, etc.	Optional.
(f) Passes to buildings or property of the company, surrendered upon or after use.	Optional.
(g) Records of building space occupied.	Optional.
(h) Lunch tickets redeemed, after summary into accounting classification.	Optional.
(i) Records of lunch tickets on hand and receipts for tickets issued.	Optional.
(j) Unissued lunch tickets.	Optional.
(k) Records of mileage and other transportation used.	Optional.
(l) Adding machine lists and memoranda of compilations by mechanical devices if not used as summaries to support entries to the accounts.	Optional.
(m) Organization diagrams, charts, records, and mailing lists.	Optional.
(n) Records of forms used by the company.	Optional.
(o) Records and reports of fire drills.	Optional.
(p) Records of postage stamps received in payment of subscribers' bills and records of stamps purchased, when not necessary to support vouchers.	Optional.
(q) Transmittal lists or forms used for indicating papers and records forwarded from one department to another, provided such lists or forms do not contain data affecting the accounts of the company.	Optional.
127. Duplicate accounts, records, and memoranda: Duplicate copies of accounts, records, and memoranda listed in these regulations, if all information on such duplicates is contained on the originals or other copies retained, and if such duplicates are not specifically provided for in these regulations. (See par. 19, p. 12.)	Optional.
128. Correspondence: (a) Correspondence and records thereof relating to subjects listed in items 1 to 127, inclusive.	For the period prescribed for the item to which it relates.
(b) Stenographers' notebook and phonograph and other mechanical device records.	Optional.
(c) Extra copies of letters, etc., used for tracing or following up correspondence, or for other purposes, if original or other copies are retained as provided for in item (a) above.	Optional.
(d) Operators' copies of telegrams, including relay copies, if the original or other copies of such messages are retained, as provided for in (a) above.	Optional.

## APPENDIX.

The following forms are suggested for the use of telephone, telegraph, and cable companies (including wireless companies), but any other forms may be used, provided they show the information required by the regulations.

(A) Form of resolution of Board of Directors designating an officer to have general supervision over the destruction of accounts, records, and memoranda. (See par. 2, a, of the regulations.)

Excerpt from minutes of the meeting of the Board of Directors of .....  
Company, held at its office in ..... on  
....., 19...:

"Resolved, That.....  
(Title of officer or name and title.)

be, and he is hereby, designated as the executive officer of this company to have general supervision over the destruction of accounts, records, and memoranda in accordance with the Regulations to Govern the Destruction of Records of Telephone, Telegraph, and Cable Companies (including wireless companies), effective on January 1, 1920, issued by the Interstate Commerce Commission."

I hereby certify that the above is a true and correct copy.

.....  
(Name.)

.....  
(Title.)  
....., 19...

(B) Form of resolution of Board of Directors designating an officer to have supervision over the destruction of certain accounts, records, and memoranda. (See par. 2, b, of the regulations.)

Excerpt from minutes of the meeting of the Board of Directors of the .....  
Company, held at its office in ..... on ....., 19...:

"Resolved, That .....  
(Title of officer or name and title.)

be, and he hereby is, designated as the officer having supervision over the destruction of the accounts, records, and memoranda named below, the destruction of which is permitted by the Regulations to Govern the Destruction of Records of Telephone, Telegraph, and Cable Companies (including wireless companies), effective on January 1, 1920, issued by the Interstate Commerce Commission."

Form No.	Description.	Period.	Item No. in I. C. C. Regulations.
.....	.....	.....	.....
.....	.....	.....	.....
.....	.....	.....	.....

I hereby certify that the above is a true and correct copy.

.....  
(Name.)

.....  
(Title.)

....., 19....

(C) Form of resolution of Board of Directors naming a cremation committee for the destruction of canceled bonds, interest coupons, etc. (See par. 6 of the regulations.)

Excerpt from minutes of the meeting of the Board of Directors of the .....  
.....Company, held at its office in .....  
on ....., 19...:

"Resolved, That pursuant to the Regulations to Govern the Destruction of Records of Telephone, Telegraph, and Cable Companies, (including wireless companies), effective on January 1, 1920, issued by the Interstate Commerce Commission, the board designates.....

.....  
(Titles of such persons, or names and titles.)

to be a cremation committee to act in conjunction with the representatives of the trustees in the destruction of....."

.....  
(List of and description of documents to be destroyed.)

I hereby certify that the above is a true and correct copy.

.....  
(Name.)

.....  
(Title.)

....., 19....

(D) Form of written authority for the destruction of certain accounts, records, and memoranda. (See par. 8, a, of the regulations.)

The ..... Company,  
Office of.....

....., 19...

In conformity with the authority conferred upon me by the Board of Directors, I hereby authorize and direct.....

.....  
(Name and title or occupation.)

.....to destroy the accounts, records, and memoranda of this company listed below:

Form No.	Description.	Period.	Item No. in I. C. C. Regulations.
.....	.....	.....	.....
.....	.....	.....	.....
.....	.....	.....	.....
.....	.....	.....	.....

.....  
(Name.)

.....  
(Title.)

(E) Form of written authority of continuing effect for the destruction of accounts, records, and memoranda. (See par. 8, b, of the regulations.)

The ..... Company,  
Office of .....,

....., 19...

In conformity with the authority conferred upon me by the Board of Directors, I hereby authorize and direct.....

.....  
(Name and title or occupation.)

to destroy from time to time the accounts, records, and memoranda of this company in his custody, the destruction of which is permitted by the Regulations to Govern the Destruction of Records of Telephone, Telegraph, and Cable Companies (including wireless companies), effective on January 1, 1920, issued by the Interstate Commerce Commission.

.....  
(Name.)

.....  
(Title.)



(B) Form of resolution of Board of Directors designating an officer to have supervision over the destruction of certain accounts, records, and memoranda. (See par. 2, b, of the regulations.)

Excerpt from minutes of the meeting of the Board of Directors of the .....  
Company, held at its office in ..... on ....., 19...:

"Resolved, That .....  
(Title of officer or name and title.)

be, and he hereby is, designated as the officer having supervision over the destruction of the accounts, records, and memoranda named below, the destruction of which is permitted by the Regulations to Govern the Destruction of Records of Telephone, Telegraph, and Cable Companies (including wireless companies), effective on January 1, 1920, issued by the Interstate Commerce Commission."

Form No.	Description.	Period.	Item No. in I. C. C. Regulations.
.....	.....	.....	.....
.....	.....	.....	.....
.....	.....	.....	.....

I hereby certify that the above is a true and correct copy.

.....  
(Name.)

.....  
(Title.)

....., 19....

(C) Form of resolution of Board of Directors naming a cremation committee for the destruction of canceled bonds, interest coupons, etc. (See par. 6 of the regulations.)

Excerpt from minutes of the meeting of the Board of Directors of the .....  
.....Company, held at its office in .....  
on ....., 19...:

"Resolved, That pursuant to the Regulations to Govern the Destruction of Records of Telephone, Telegraph, and Cable Companies, (including wireless companies), effective on January 1, 1920, issued by the Interstate Commerce Commission, the board designates.....

.....  
(Titles of such persons, or names and titles.)  
to be a cremation committee to act in conjunction with the representatives of the trustees in the destruction of....."

(List of and description of documents to be destroyed.)

I hereby certify that the above is a true and correct copy.

.....  
(Name.)

.....  
(Title.)

....., 19....

(D) Form of written authority for the destruction of certain accounts, records, and memoranda. (See par. 8, a, of the regulations.)

The ..... Company,

Office of .....

....., 19...

In conformity with the authority conferred upon me by the Board of Directors, I hereby authorize and direct.....

(Name and title or occupation.)

.....to destroy the accounts, records, and memoranda of this company listed below:

Form No.	Description.	Period.	Item No. in I. C. C. Regulations.
.....	.....	.....	.....
.....	.....	.....	.....
.....	.....	.....	.....
.....	.....	.....	.....

.....  
(Name.)

.....  
(Title.)

(E) Form of written authority of continuing effect for the destruction of accounts, records, and memoranda. (See par. 8, b, of the regulations.)

The ..... Company,

Office of .....

....., 19...

In conformity with the authority conferred upon me by the Board of Directors, I hereby authorize and direct.....

(Name and title or occupation.)

to destroy from time to time the accounts, records, and memoranda of this company in his custody, the destruction of which is permitted by the Regulations to Govern the Destruction of Records of Telephone, Telegraph, and Cable Companies (including wireless companies), effective on January 1, 1920, issued by the Interstate Commerce Commission.

.....  
(Name.)

.....  
(Title.)

(F) Form of certificate of destruction. (See par. 11, a, of the regulations.)

The ..... Company,  
Office of .....;  
....., 19....

DEAR SIR: I hereby certify that I have this day destroyed the accounts, records, and memoranda listed below, pursuant to your authority dated ....., 19.... I further certify that no accounts, records, or memoranda other than those named have been destroyed therewith.

Form No.	Description.	Period.	Item No. in L. C. C. Regulations.
.....	.....	.....	.....
.....	.....	.....	.....
.....	.....	.....	.....

Yours truly,

.....  
(Name.)

.....  
(Title or occupation.)

(G) Form of cumulative certificate of destruction. (See par. 11, b, of the regulations.)

The ..... Company,  
Office of .....;  
....., 19....

DEAR SIR: I hereby certify that I have destroyed the accounts, records, and memoranda listed below, pursuant to your authority dated ....., 19.... I further certify that no accounts, records, or memoranda other than those named have been destroyed therewith.

Form No.	Description.	Period.	Item No. in L. C. C. Regulations.	Date of Destruction.
.....	.....	.....	.....	.....
.....	.....	.....	.....	.....
.....	.....	.....	.....	.....

Yours truly,

.....  
(Name.)

.....  
(Title or occupation.)

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